



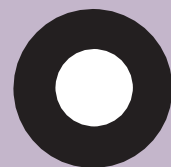
CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

Making progress possible. Together.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

UNAUDITED



WELL RUN CITY



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REPORTING ENTITY'S MANDATE

The City of Cape Town is a high-capacity, category A, local authority established in terms of section 151 of the Constitution of the Republic of South Africa Act, Act 108 of 1996.

The principal activities of the City are to:

- provide democratic and accountable government to the local communities;
- ensure sustainable service delivery to communities;
- promote social and economic development;
- promote a safe and healthy environment; and
- encourage the involvement of communities and community organisations in the matters of local government.

The City's operations are governed by the Local Government: Municipal Structures Act, Act 117 of 1998, the Local Government: Municipal Systems Act, Act 32 of 2000, the Local Government: Municipal Finance Management Act, Act 56 of 2003, and various other acts and regulations.

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements for the year ended 30 June 2018, as set out on pages 10 to 81 in terms of section 126(1) of the Local Government: Municipal Finance Management Act, Act 56 of 2003, and have accordingly signed the statements on behalf of the City.

I certify that the salaries, allowances and benefits of councillors as disclosed in note 40.2.1 to these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution of the Republic of South Africa Act, Act 108 of 1996, read with the Remuneration of Public Office Bearers Act, Act 20 of 1998, and the Minister of Provincial and Local Government's determination in accordance with this Act.



Lungelo Mbandazayo
City Manager

 August 2018

REPORT OF THE AUDITOR-GENERAL

TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE
CITY OF CAPE TOWN

Report on the audit of the financial statements



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Content to come

REPORT OF THE AUDITOR-GENERAL

TO THE WESTERN CAPE PROVINCIAL PARLIAMENT AND THE COUNCIL ON THE
CITY OF CAPE TOWN (continued)

Content to come

GENERAL INFORMATION

EXECUTIVE MAYOR



Ald P de Lille

EXECUTIVE DEPUTY MAYOR



Ald ID Neilson

SPEAKER

Ald JD Smit



CHIEF WHIP

Cllr S August



FINANCE MAYORAL COMMITTEE MEMBER

Cllr JFH van der Merwe



CHIEF FINANCIAL OFFICER

K Jacoby



CITY MANAGER



L Mbandazayo

GENERAL INFORMATION (continued)

MAYORAL COMMITTEE MEMBERS

Ald P de Lille	Executive Mayor
Ald ID Neilson	Executive Deputy Mayor

Portfolio

Cllr SP Diamond	Assets and Facilities Management
Cllr XT Limberg	Informal Settlements, Water and Waste Services; Energy
Ald JP Smith	Safety and Security, Social Services
Cllr JFH van der Merwe	Finance
Cllr BN Herron	Transport and Urban Development Authority
Cllr R Arendse	Corporate Services

Area-based

Cllr A Ntsodo	Area-based Oversight East
Cllr EP Andrews	Area-based Oversight South
Cllr SA Little	Area-based Oversight North
Cllr S Mamkeli	Area-based Oversight Central

AUDIT AND PERFORMANCE AUDIT COMMITTEE MEMBERS

D Singh	Chairperson (appointed on 28 March 2018 for the current period coinciding with her current membership of the Committee)
S Barnes	Member (appointed w.e.f. 1 October 2017)
M Burton	Member (appointed w.e.f. 1 April 2018)
R Nicholls	Member (appointed w.e.f. 1 October 2017)
A Rhoda	Member

GENERAL INFORMATION (continued)



AUDITORS

The Auditor-General of South Africa
No 17 Park Lane Building
Park lane
Century City
7441

Private Bag X1
Chempet
7442

BANKERS

Nedbank Limited
135 Rivonia Campus
135 Rivonia Road
Sandown
Sandton
2196

PO Box 1144
Johannesburg
2000

REGISTERED OFFICE

City of Cape Town
12 Hertzog Boulevard
Cape Town
8001

PO Box 655
Cape Town
8000

GENERAL INFORMATION (continued)

Council members of the City of Cape Town

Cllr A Abrahams	Cllr MA Cassiem	Cllr PC Heynes	Cllr RPJ Mare
Cllr FL Abrahams	Cllr MF Cassim	Cllr ND Hlangisa	Cllr PI Marman
Cllr MR Abrahams	Ald GV Cavanagh	Cllr MW Hlazo	Cllr J Martlow
Cllr MF Achmat	Cllr CS Cerfontein	Cllr TT Honono	Cllr V Matanzima
Cllr A Adams	Cllr PH Chapple	Cllr VR Isaacs	Cllr JJ Maxheke
Cllr A Adams	Cllr MN Chitha	Cllr IR Iversen	Cllr P Maxiti
Cllr R Adams	Cllr DJ Christians	Cllr BM Jacobs	Cllr S Mbandezi
Cllr Y Adams	Cllr CC Clayton	Cllr HW Jacobs	Cllr JS Mbolompo
Cllr M Adonis	Cllr DG Cottee	Cllr WD Jafftha	Cllr NV Mbombo
Cllr ZC Adonis	Cllr SA Cottle	Cllr L Jali	Cllr LM Mbele
Cllr FK Ah-Sing	Cllr AC Crous	Cllr C Janse van Rensburg	Cllr LVP McBride
Cllr WJ Akim	Cllr J Cupido	Cllr E Jansen	Cllr J McCarthy
Ald D Amira	Cllr T Dasa	Cllr S John	Cllr AP McKenzie
Cllr EP Andrews	Cllr MM Davids	Cllr C Jordaan	Cllr SS Mfecane
Cllr E Anstey	Ald P de Lille	Ald CR Justus	Cllr NE Mgolombane
Cllr R Arendse	Cllr SP Diamond	Cllr ML Kempthorne	Cllr JH Middleton
Cllr SWP Arendse	Cllr NN Dilima	Cllr DM Khatshwa	Cllr PM Mngxunyeni
Cllr A Arnolds	Cllr WB Dlulane	Cllr MRH Kleinschmidt	Cllr S Moodley
Cllr SN August	Cllr WP Doman	Cllr ME Kleinsmith	Cllr AC Moses
Cllr DE Badela	Cllr DK Dudley	Cllr AL Komeni	Cllr RM Moses
Cllr ZA Badroodien	Cllr PA East	Cllr NF Kopman	Cllr NA Moshani
Cllr MK Bafo	Cllr CJ Esau	Cllr GPG Kriel	Cllr T Mpengezi
Cllr UM Barends	Cllr JP Fitz	Cllr AE Kuhl	Cllr S Mzobe
Cllr GG Barnardo	Cllr E Fortune	Cllr MD Kumeke	Cllr PS Mzolisa
Cllr AJG Basson	Cllr GD Fourie	Ald NJ Landingwe	Cllr N Ndalen
Cllr S Batala	Cllr P Francke	Cllr SP Liell-Cock	Cllr AX Ndongeni
Cllr TM Batembu	Cllr A Gabuza	Cllr A Lili	Ald ID Neilson
Cllr R Bazier	Cllr F Gaffoor	Cllr XT Limberg	Cllr K Nethi
Cllr R Beneke	Cllr BC Golding	Cllr SA Little	Cllr BP Ngcani
Cllr CB Bew	Cllr GE Gordon	Cllr CO Mabona	Cllr B Ngcombolo
Cllr N Bolitye	Cllr AJ Griesel	Cllr BC Madikane	Cllr MWN Ngeyi
Cllr M Boo	Cllr CDW Groenewoud	Cllr N Mahangu	Cllr PM Ngqu
Cllr G Bosman	Cllr NE Grose	Cllr N Mahlati	Cllr D Ngubelanga
Cllr FR Botha-Rossouw	Cllr LA Gungxe	Cllr N Makamba-Botya	Cllr S Ngxumza
Cllr R Bresler	Cllr B Hadebe	Cllr N Makasi	Ald MJ Nieuwoudt
Cllr EN Brunette	Cllr B Hansen	Cllr BM Majingo	Cllr M Nikelo
Cllr DW Bryant	Cllr W Harris	Cllr LC Makeleni	Cllr S Nkomiyahlaba
Cllr X Cekiso	Cllr GCR Haskin	Cllr S Mamkeli	Cllr FM Nkuzana
Cllr KR Carls	Cllr MGE Hendricks	Cllr SK Manata	Cllr X Nofemele
Cllr H Carstens	Cllr BN Herron	Ald GW March	Cllr SM Noludwe

GENERAL INFORMATION (continued)

Council members of the City of Cape Town (continued)

Cllr S Nonkeyizana	Ald FA Purchase	Cllr X Sotashe	Cllr CHS van Wyk
Cllr SP Ngamnduku	Cllr RM Quintas	Cllr KG Southgate	Cllr A van Zyl
Cllr ML Nqavashe	Cllr MH Raise	Cllr T Stemele	Cllr M Velem
Cllr M Nqulwana	Cllr SA Ramsay	Cllr Z Sulelo	Cllr R Viljoen
Cllr A Ntsodo	Cllr B Rass	Cllr PS Swart	Cllr DA Visagie
Cllr P Nyakaza-Sandla	Cllr R Rau	Cllr EAJ Theron	Cllr CL Visser
Cllr L Nyingwa	Cllr FHL Raymond	Cllr G Timm	Cllr J Visser
Cllr SF Oerson	Cllr N Rheeder	Cllr BEF Truter	Cllr PP Vokwana
Ald MJ Oliver	Cllr SJ Rossouw	Cllr LE Tshwete	Cllr ST Vuba
Cllr XB Pakela	Cllr T Sakathi	Ald GG Twigg	Cllr FC Walker
Cllr GC Peck	Cllr R Saralina	Cllr TA Uys	Ald BRW Watkyns
Cllr XG Peter	Cllr N Silas	Cllr B van der Merwe	Cllr C Williams
Cllr MJ Petersen	Cllr RZ Simbeku	Cllr JFH van der Merwe	Cllr JJ Witbooi
Cllr S Philander	Cllr RS Simons	Cllr A van der Rhee	Cllr J Woodman
Cllr MP Pietersen	Cllr AJ Skippers	Cllr PE van der Ross	Cllr M Xego
Cllr TI Pimpi	Ald JD Smit	Cllr ML van der Walt	Cllr SK Yozi
Ald SB Pringle	Ald JP Smith	Cllr BM van Minnen	Cllr LG Zondani
Cllr CB Punt	Cllr NP Sono	Cllr B van Reenen	

In the course of the reporting period, the following councillors ceased to be political office-bearers:

Cllr MPJ Menisi	16/07/2017	Ald C Brynard	30/08/2017
Cllr A Leitch	31/07/2017	Cllr HS Davids	11/04/2018
Cllr NL Mquqwana	14/08/2017		

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018

The City's significant accounting policies, which are in all material respects consistent with those applied in the previous year, except as stated in note 37, are set out below. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, except where indicated otherwise. Management has used assessments and estimates in preparing the annual financial statements – these are based on the best information available at the time of preparation.

Going concern assumption

These annual financial statements have been prepared based on the expectation that the Municipality of Cape Town will continue to operate as a going concern for at least the next 12 months.

Basis of presentation

The financial statements have been prepared in accordance with the Generally Recognised Accounting Practices (GRAP), standards issued by the Accounting Standards Board (ASB) and approved by the Minister of Finance as effective.

The ASB has issued a directive that outlines the principles for the application of the GRAP 3 guidelines in determining the GRAP Reporting Framework hierarchy, as set out in the 'Standard of GRAP 3 on Accounting Policies, Changes in Accounting Estimates and Errors'.

Use of significant judgements and estimates

In the process of applying the City's accounting policies, management has made the following significant accounting judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively:

- **Going concern**

Management considers key financial metrics and approved medium-term budgets, together with the municipality's dependency on grants from national and provincial government, to conclude that the going concern assumption used in the compiling of its annual financial statements, is appropriate.

- **Operating lease commitments – City as lessor**

Leases where risks and rewards of ownership are not transferred to the lessee are classified as operating leases.

- **Pension and other post-employment benefits**

The cost of defined-benefit pension plans and other employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

- **Impairment of receivables**

The calculation in respect of the impairment of receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments. This was performed per service-identifiable categories across all debtor classes. The concentration of credit risk is limited, as the customer base is large and unrelated. Accordingly, management believes no further credit provisions are required in excess of the present allowance for doubtful debts.

- **Impairment of property, plant and equipment**

The calculation in respect of the impairment of property, plant and equipment (PPE) is based on an assessment of the extent to which the recoverable amount of the asset has declined below the carrying amount. This was performed across all classes of property, plant and equipment.

- **Significant delays in assets under construction**

The City regarded disclosure of significant delay in assets under construction that is more than one year.

- **Residual value of property, plant and equipment**

Management has determined that none of its infrastructural assets have any active market value, and the value of the amount at the end of their lives would therefore be insignificant.

- **Useful lives of property, plant and equipment**

The useful lives of assets are based on management's estimates. Management considers the impact of technology, service requirements and required return on assets to determine the optimum useful-life expectation, where appropriate. The estimated residual values of assets are also based on management's judgement on whether the assets will be sold or used to the end of their useful lives, and what their condition will be at that time.

- **Material losses**

Material losses are losses that occur due to factors other than normal production and are regarded as material if its omission or misstatement will affect the decisions made by users of the information.

Losses that occur due to normal production are classified as production cost and are factored into the City's tariffs; they therefore do not constitute material losses. If actual production losses exceed the budgeted production losses factored into the tariff, this difference is considered material losses.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

- **Provisions and contingent liabilities**

Management's judgement is required when recognising and measuring provisions, as well as when measuring contingent liabilities, as set out in notes 14, 16 and 36 respectively. Provisions are discounted where the effect of discounting is material.

- **Budget information**

Variances between budget and actual amounts are regarded as material when a variance exist of:

- 10% in the statement of financial position, statement of financial performance and the cash flow statement;
- 5% in the capital expenditure.

All material differences are explained in note 38 to the annual financial statements.

- **Cash-generating assets**

The City is not a profit-oriented entity as its primary objective is service delivery. Tariffs and charges are cost-reflective to ensure continued financial sustainability. No profit element is included in the determination of a tariff.

As such, management has determined that the City does not control assets that meet the definition of cash-generating assets, and that the GRAP standard for the impairment of non-cash-generating assets will apply to all assets of the City.

Adoption of new and revised standards

- **Standards and interpretations effective and adopted in the current year**

The ASB has issued no new standards or interpretations that are effective for the current year. The ASB issued improvements to the Standards of GRAP that are applicable and effective in the current year. These improvements did not lead to changes in the accounting policy for the City.

- **Standards and Interpretations early adopted**

The City has not early adopted any GRAP standard that is not yet effective, but has based its accounting policies on GRAP 20, 32, 108, 109 and IGRAP 17.

- **Standards and interpretations issued, but not yet effective**

At the date of submission of these financial statements, the following amendments to Standards of GRAP and approved Standards of GRAP and had been issued but were not yet effective:

- **Annual periods commencing on or after 1 April 2018:**

GRAP 21 - Impairment of non-cash-generating assets (revised)

GRAP 26 - Impairment of cash-generating assets (revised)

Amendments were made to the definition of cash-generating assets and explanatory commentary was added to the Standards.

The City is assessing the potential impact on its financial statements resulting from these amendments. So far, the City does not expect any significant impact. Where the application of the amendments result in the redesignation of existing assets from cash-generating asset to non-cash generating asset or from non-cash-generating asset to a cash-generating asset, the City shall assess whether that redesignation triggers an impairment test or a reversal of an impairment loss.

The City has not early adopted the amended standards in preparing these financial statements.

- **Annual periods commencing on or after 1 April 2019:**

GRAP 20 - Related-party disclosures (revised)

GRAP 32 - Service concession arrangements: Grantor

GRAP 108 - Statutory receivables

GRAP 109 - Accounting by principals and agents

The City has based its accounting policies on these standards and therefore the application of the standards will have no impact on the financial statements.

- **Annual periods commencing on or after 1 April 2020:**

GRAP 18 - Segment reporting

GRAP 110 - Living and non-living resources

The above standards will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that GRAP18 will require additional presentation and disclosure in the financial statements and GRAP 110 will have an immaterial impact.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

- **No effective dates provided yet:**

- GRAP 34 - Separate financial statements
- GRAP 35 - Consolidated financial statements
- GRAP 36 - Investments in associates and joint ventures
- GRAP 37 - Joint arrangements
- GRAP 38 - Disclosure of interest in other entities
- IGRAP 17 - Service concession arrangements where a grantor controls a significant residual interest in an asset
- IGRAP 18 - Recognition and derecognition of land
- IGRAP19 - Liabilities to Pay Levies

All the above standards, where applicable, will be complied with in the financial statements once the standards take effect. Preliminary investigations indicated that, other than additional disclosure, the impact of the standards on the financial statements will be minimal.

HOUSING FUNDS

The housing development fund was established in terms of the Housing Act, Act 107 of 1997.

Housing development fund

Sections 15(5) and 16 of the Housing Act, which came into effect on 1 April 1998, required the City to maintain a separate housing operating account. This legislated separate operating account is known as the housing development fund and is fully cash-backed.

The Housing Act also requires in terms of section 14(4)(d)(iii)(aa), read with, *inter alia*, section 16(2), that the net proceeds of any letting, sale or alienation of property previously financed from government housing funds, be paid into a separate operating account, and be utilised by the City for housing development in accordance with the National Housing Policy.

Unrealised housing proceeds

In order to comply with sections 14(4)(d)(i) and (iii) of the Housing Act, in terms of which all net proceeds need to be paid into the housing development fund, it was necessary to create a holding account that represents the unrealised funds due by long-term housing selling developments and sponsored loan debtors. This account is reduced when debtors are billed for their current loan repayments.

RESERVES

The City creates and maintains reserves in terms of specific requirements.

Capital replacement reserve (CRR)

In order to finance the acquisition of property, plant and equipment and other assets from internal sources, cash amounts are transferred from the accumulated surplus to the CRR.

The following guidelines are set for the creation and utilisation of the CRR:

- The cash funds that back up the CRR are invested until utilised.
- The CRR may only be utilised for purchasing items of property, plant and equipment, and not for their maintenance unless otherwise directed by Council.
- Whenever an asset is purchased out of the CRR, an amount equal to the cost price of the asset is transferred from the CRR, and the accumulated surplus is credited by the corresponding amount.

Insurance reserve

- **Self-insurance reserve**

A general insurance reserve has been established and covers claims that may occur, subject to reinsurance where deemed necessary. Premiums are charged to the respective services, taking into account the claims history and replacement value of the insured assets.

Reinsurance premiums paid to external reinsurers are regarded as an expense, and are shown as such in the statement of financial performance. The net surplus/deficit on the insurance operating account is transferred to or from the insurance reserve via the statement of changes in net assets.

A viability valuation report is obtained each year to assess the adequacy of the insurance reserve at year-end.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

- **Compensation for occupational injuries and diseases (COID) reserve**

The City has been exempted from making contributions to the Compensation Commissioner for occupational injuries and diseases in terms of section 84 of the COID Act, Act 130 of 1993.

The certificate of exemption issued by the Commissioner and prescribed by the COID Act requires the City to deposit cash and/or securities with the Commissioner, the market values of which in aggregate shall not be less than the capitalised value of the continuing liability of the City as at 31 December of each year.

The continuing liability is that of annual pensions, the capitalised value of which is determined on the basis of an actuarial determination prescribed by the Commissioner. A COID reserve has been established to equate to the value of the continuing liability. The market value of the securities is determined annually by the Commissioner, and the City is required to meet any shortfall in the aggregate value of the securities as at 31 December. Monthly pensions are funded by transferring funds from the reserve to the expense account in the statement of financial performance.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where property, plant and equipment are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the assets are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, it is regarded as repairs and maintenance, and is expensed.

The City maintains and acquires assets to provide a social service to the community, with no intention of disposing of the assets for any economic gain.

The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value, and is recognised in the statement of financial performance.

Depreciation rates

Depreciation is calculated at cost, using the straight-line method, over the estimated useful lives of the assets. The residual value, depreciation method and useful life, if not insignificant, are reassessed annually, with the effect of any changes in estimate accounted for on a prospective basis. The depreciation rates are based on the following estimated useful lives:

	Years		Years
Infrastructure		Other	
Roads and paving	10-50	Buildings	3-50
Electricity	15-50	Other vehicles	6-15
Water	15-30	Office equipment	5-7
Sewerage	15-20	Watercraft	5
Telecommunications	10-30	Bins and containers	5
		Landfill sites	30
Housing	30	Specialised vehicles	10-20
		Library books	1
Community		Furniture and fittings	10
Community and recreational facilities	20-50	Computer equipment	3-5
Security	5-10	Plant and equipment	5-12
		Service concession	10-30

Assets under construction are carried at cost. Depreciation of an asset commences when the asset is ready for its use as intended by management. Freehold land is not depreciable, as it has an indefinite useful life.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

INVESTMENT PROPERTIES

Investment properties are immovable land and/or buildings that are held to earn rental income and/or for capital appreciation. Investment property excludes owner-occupied property that is used in the production or supply of goods or services or for administrative purposes, or property held to provide a social service.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Where investment properties are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

Investment property other than vacant land is depreciated on the straight-line basis over the useful lives of the assets, estimated at 20 to 50 years.

An investment property is derecognised upon disposal or when it is permanently withdrawn from use, and when no future economic benefits or service potential are expected from its disposal. Any gain or loss arising from the retirement or disposal of investment property is included in the surplus or deficit in the period of the retirement or disposal.

Direct income and expenses arising from investment property are disclosed as part of general income and expenses, and are thus not disclosed separately, as they are not material.

HERITAGE ASSETS

A heritage asset is defined as an asset that has a cultural, environmental, historical, natural, scientific, technological or artistic significance and is held and preserved indefinitely for the benefit of present and future generations.

Heritage assets are stated at cost less accumulated impairment losses. Where a heritage asset is acquired through a non-exchange transaction, its cost is deemed to be its fair value as at the date of acquisition. Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life are capitalised as incurred. Day-to-day costs incurred to maintain a heritage asset are expensed.

Transfers to heritage assets are made only when the asset meets the definition of a heritage asset, and transfers from heritage assets are only made when the asset no longer meets the definition of a heritage asset. Transfers to and from heritage assets are done at the carrying amount of the assets transferred at the date of transfer.

The gain or loss arising from the disposal or retirement of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying value, and is recognised in the statement of financial performance. Heritage assets are not depreciated, since their long economic life and high residual value mean that any depreciation would be immaterial.

INTANGIBLE ASSETS

An intangible asset is defined as an identifiable non-monetary asset without physical substance, held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Intangible assets are stated at cost less accumulated depreciation and accumulated impairment losses. Where intangible assets are acquired through non-exchange transactions, the cost is deemed to be the item's fair value on the date of acquisition.

The City recognises computer development software costs as intangible assets if the costs are clearly associated with an identifiable and unique system controlled by the City, and have a probable benefit exceeding one year. Direct costs include software development employee costs and an appropriate portion of relevant overheads.

Amortisation rates

Intangible assets are amortised on the straight-line basis over the useful lives of the assets. The residual value, amortisation method and useful life, if not insignificant, are reassessed annually, with the effect of any changes in estimate accounted for on a prospective basis.

The amortised rates are based on the following estimated useful lives:

	Years
Acquisition of rights	8
Computer software	5-10

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

IMPAIRMENT OF NON-CASH-GENERATING ASSETS

All municipal assets are classified as non-cash-generating assets.

At the end of each reporting period, carrying amounts of non-cash-generating assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the recoverable service amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives as well as intangible assets not yet available for use are tested for impairment annually at the same time every year, as well as whenever there is an indication that the asset may be impaired.

The recoverable service amount of a non-cash-generating asset is the higher of fair value less costs to sell and the value-in-use. The value-in-use is the present value of the remaining service potential of the asset, and is determined using the most appropriate of the depreciated replacement cost, restoration cost or service units approach.

The discount rate used reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable service amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. An impairment loss is recognised immediately in surplus or deficit.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable service amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

CASH AND CASH EQUIVALENTS

Cash includes cash on hand, cash with banks, and call deposits. Cash equivalents are short-term bank deposits with a maturity of three months or less from inception, readily convertible to cash without significant change in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of any bank overdrafts.

INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods and are valued at the lower of cost (determined on the weighted-average basis) and net realisable value, except for plants and compost, which are valued at the tariffs charged. Where they are held for distribution or consumption at no charge or for a nominal amount, inventories are valued at the lower of cost and current replacement value.

Cost of inventories comprises all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Redundant and slow-moving inventories are identified and written down to their estimated net realisable values, and are recognised as an expense in the period in which the write-down or loss occurs. Consumables are written down according to their age, condition and utility.

VALUE-ADDED TAX

The City is registered for value-added tax (VAT) on the payment basis.

GRANTS AND TRANSFERS

Grants and transfers received or receivable are recognised as assets when the resources that have been transferred to the City meet the definition and criteria for recognition of an asset.

A corresponding liability is recognised to the extent that the grant and transfer recognised as an asset, is subject to conditions which require that the entity either consumes the future economic benefits or service potential of the asset as specified or that in the event that the conditions are breached the entity returns such future economic benefits or service potential to the transferor. The liability is transferred to revenue when the conditions attached to the grants and transfers are met. Grants and transfers that are not subject to any conditions are recognised as revenue when the assets are initially recognised.

Interest earned on the investment of grants and transfers received is treated in accordance with the stipulations set out in the agreement for the receipt of the grant and transfer invested, or where management has decided that interest must be capitalised. Where interest applies it is included in the opening and closing balances.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

PROVISIONS

A provision is recognised when the City has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, and the amount of the obligation can be reliably estimated.

When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the statement of financial performance as a finance cost.

ENVIRONMENTAL REHABILITATION PROVISIONS

Estimated long-term environmental provisions, comprising rehabilitation of environmental damage and landfill site closure costs, are based on the City's policy, taking into account current technological, environmental and regulatory requirements.

The provision for rehabilitation is recognised as and when the environmental liability arises in terms of legislation. Changes in the measurement of existing environmental liabilities resulting from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate, shall be added to, or deducted from, the cost of the related asset in the current period. The amount deducted from the cost of the asset shall not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in surplus or deficit. Any unwinding of discount is charged to the statement of financial performance as a finance cost.

EMPLOYEE BENEFITS

Retirement benefit plans

The City provides retirement benefits for its employees and councillors. Retirement benefits consist of defined-contribution plans and defined-benefit plans.

Defined-contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year during which they become payable.

Defined-benefit plans are post-employment benefit plans other than defined-contribution plans. The defined-benefit funds are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on a proportional basis from all participating municipalities. The contributions and lump sum payments are charged against income in the year during which they become payable.

The municipality does not apply defined-benefit accounting to the defined-benefit plans that are classified as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, such plans are accounted for as defined-contribution plans.

Post-retirement pension funds

Pensions paid to employees who had not been members of any of the official pension funds, but who are entitled to a revenue pension, are recognised as an expense when incurred. Such pension payments are funded from a staff provident fund maintained for this purpose. Entitlement to these ex-gratia pension payments is subject to compliance with an acceptable pre-condition for non-membership of any of the pension funds associated with the City.

The City makes the fund contributions on a monthly basis, which are charged to the operating account when employees have rendered the service entitling them to the contributions. Actuarial valuation of the liability is performed on an annual basis. The projected unit credit method has been used to value the obligations.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the actuarial gains and losses, and past service costs.

Any unwinding of discount is charged to the statement of financial performance as an employee-related cost. Actuarial gains or losses are fully accounted for in the statement of financial performance in the year that they occur.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Post-retirement medical aid: Continued members

The City provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds with which the City is associated, a member on retirement is entitled to remain a continued member of such medical aid fund, and the City will continue to subsidise medical contributions in accordance with the provisions of the employee's employment contract and the City's decision on protected rights. Post-retirement medical contributions paid by the City, depending on the employee's contract, could be 70% or a subsidy indicated on a sliding scale. In each case the employee is responsible for the balance of post-retirement medical contributions. External appointments after 15 December 2000 do not qualify for a post-retirement medical aid subsidy. Only registered dependants on the medical aid fund as at date of separation will be allowed to continue as post-retirement medical aid dependants. In case of death of the principal the remaining dependants will continue to be subsidised subject to the rules of the post-retirement medical aid scheme. Children will only be subsidised until the age of 21.

These contributions are charged to the operating account when employees have rendered the service entitling them to the contribution.

The liability in respect of current pensioners is regarded as fully accrued, and is therefore not split between a past (or accrued) and future in-service element. The liability is recognised at the fair value of the obligation, together with adjustments for the actuarial gains and losses, and past service costs.

Any unwinding of discount is charged to the statement of financial performance as an employee-related cost. Actuarial gains or losses are fully accounted for in the statement of financial performance in the year during which they occur. The projected unit credit method has been used to value the obligation.

Short-term and long-term employee benefits

The cost of all short-term employee benefits is recognised in the period during which the employee renders the related service. The City recognises the expected cost of performance bonuses only when the City has a present legal or constructive obligation to make such payment, and if a reliable estimate can be made.

The City provides long-service leave to eligible employees, payable on completion of years of employment. The City's liability is based on an actuarial valuation. Any unwinding of discount is charged to the statement of financial performance as an employee-related cost. Actuarial gains and losses on the long-term incentives are fully accounted for in the statement of financial performance. The projected unit credit method has been used to value the obligation.

REVENUE RECOGNITION

Revenue is recognised net of indirect taxes, rebates and trade discounts, and consists primarily of rates, grants from National Government and Western Cape Provincial Government ('Province'), service charges, rentals, interest received and other services rendered. Revenue is recognised when it is probable that future economic benefits or services potential will flow to the City, and when these benefits can be reliably measured. Revenue arising from the application of the approved tariff charges is recognised when the relevant service is rendered, by applying the relevant authorised tariff. This includes the issuing of licences and permits.

Revenue from exchange transactions

Exchange transactions are transactions in which the City receives assets or services, or has liabilities extinguished and directly gives approximately equal value to another entity in exchange.

Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Credit meters are read on a periodic basis, and revenue is recognised providing that the benefits can be measured reliably. Estimates of consumption are made every other month based on consumption history. Such estimated consumption is recognised as income when invoiced, and adjusted upon subsequent actual meter readings. An accrual on the basis of a determined consumption factor is made for consumption not measured as at the end of the financial year.

Electricity services provided on a prepayment basis are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on the average consumption history.

Income in respect of housing rental and instalment sale agreements is accrued monthly.

Interest earned on investments is recognised in the statement of financial performance on a time-proportionate basis, which takes into account the effective yield on the investment. Interest may be transferred from the accumulated surplus to the housing development fund or the insurance reserve.

Interest earned on the following investments is not recognised in the statement of financial performance:

- Interest earned on trust funds is allocated directly to the fund.
- Interest earned on unutilised conditional grants is allocated directly to the creditor 'Unutilised conditional grants' if the grant conditions indicate, or where management has determined that interest is payable to the funder.

Dividends are recognised when the City's right to receive payment is established.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Income for agency services, whereby the City acts as an agent, is recognised on a monthly basis once the income collected on behalf of principals is earned. The income is recognised in terms of the agency agreement.

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- The City has transferred to the buyer the significant risks and rewards of ownership of the goods.
- The City retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.
- The amount of revenue can be reliably measured.
- The costs incurred or to be incurred in respect of the transaction can be reliably measured.
- Prepaid electricity sold is only recognised as income once the related units are consumed.

Revenue from non-exchange transactions

Non-exchange transactions are transactions where the City received revenue from another entity without giving approximately equal value in exchange.

Revenue from rates is recognised when the legal entitlement to this revenue arises and ratepayers have been duly notified. Collection charges are recognised when such amounts are legally enforceable. Interest on unpaid rates is recognised on a time-proportionate basis with reference to the principal amount receivable and effective interest rate applicable.

A composite rating system, charging different rate tariffs, is used. Rebates are granted to certain categories of ratepayers, and are deducted from revenue.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when the fine is issued.

Donations are recognised on a cash receipt basis, or, where the donation is in the form of property, plant and equipment, when the risks or rewards of ownership have transferred to the City. Donations are measured at fair value.

Income from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Local Government: Municipal Finance Management Act, Act 56 of 2003, and is recognised when recovered from the responsible party.

LEASES

The City as lessee

Operating leases are those where risks and rewards of ownership are not transferred to the lessee. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

The City as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the lease.

GRANTS-IN-AID

The City transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the City does not:

- receive any goods or services directly in return as would be expected in a purchase or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

These transfers are recognised in the statement of financial performance as expenses in the period in which the events giving rise to the transfer occurred.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

FINANCIAL INSTRUMENTS

Financial instruments are recognised when the City becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. In the case of a financial instrument not subsequently measured at fair value through the statement of financial performance, transaction costs that are directly attributable to the acquisition or issue of the instrument are added to or deducted from the fair value as appropriate on initial recognition.

Non-derivative financial assets

The classification of financial assets depends on their nature and purpose, and is determined at the time of initial recognition.

- **Investments at fair value**

Non-derivative investments held without the positive intent or ability to hold to maturity. Subsequent to initial recognition, all changes to fair value are recognised through the statement of financial performance.

- **Investments at amortised cost**

Non-derivative investments with fixed or determinable payments and fixed maturity dates, which the City has the positive intent and ability to hold to maturity. Subsequent to initial recognition, such investments are measured at amortised cost using the effective interest method less any impairment.

- **Investments at cost**

Residual interests that do not have a quoted market price in an active market, and the fair value of which cannot be reliably measured. Subsequent to initial recognition, such investments are measured at cost less any impairment.

Financial assets other than those at fair value are assessed for indicators of impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the City has transferred substantially all risks and rewards of ownership, or when the enterprise loses control of contractual rights that comprise the assets.

Non-derivative financial liabilities

After initial recognition, the City measures all financial liabilities, including payables, at amortised cost, using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities (excluding provisions) and payables (excluding provisions). Interest-bearing external loans and bank overdrafts are recorded net of direct issue costs. Finance charges, including premiums payable, are accounted for on an accrual basis.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

Derivative financial instruments

The City holds derivative financial instruments to hedge its foreign currency risk exposures. Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

PAYABLES

Payables are initially measured at fair value plus transactional cost, and are subsequently measured at amortised cost, using the effective interest rate method.

RECEIVABLES

Receivables are recognised initially at fair value plus transactional cost, which approximates amortised cost, less provision for impairment. Bad debts are written off in the year during which they are identified as irrecoverable, subject to the approval by the appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current.

A provision for impairment of receivables is established when there is objective evidence that the City will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Interest is charged on overdue amounts. An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year end.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for; expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state, or expenditure in the form of a grant that is not permitted in terms of the MFMA, Act 56 of 2003.

Unauthorised expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue.

IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is in contravention of, or that is not in accordance with, a requirement of the Local Government: Municipal Finance Management Act, Act 56 of 2003, Local Government: Municipal Systems Act, Act 32 of 2000, Remuneration of Public Office Bearers Act, Act 20 of 1998 or the municipality's supply chain management (SCM) policy.

Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain, and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for in the financial statements and, where recovered, is subsequently accounted for as revenue.

FOREIGN-CURRENCY TRANSACTIONS

Transactions in foreign currencies are initially accounted for at the ruling exchange rate on the date of the transaction. Trade creditors denominated in foreign currency are reported at the statement of financial position date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from reporting of creditors at rates different from those at which they were initially recorded during the period, are recognised as income or expenses in the period in which they arise.

BUDGET INFORMATION

The annual budget figures have been prepared in accordance with the GRAP Standards on an accrual basis, and are consistent with the accounting policies adopted by the Council for the preparation of these financial statements.

The approved budget covers the current fiscal year. The approved budget is the most recent adjustments budget approved by Council. The final budget is the most recently approved budget, adjusted for changes made to the budget in terms of legislation that may not be formally approved again by Council. Where entities are required to have the budget(s) approved again for any subsequent adjustments, the most recently approved budget becomes the final budget for purposes of disclosure.

The amounts are presented as a separate additional financial statement, called the statement of comparison of budget and actual amounts. Explanatory comments to material differences are provided in the notes to the annual financial statements.

These figures are those approved by Council both before and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP) process.

Comparative information is not required and has not been presented for the statement of comparison of budget and actual amounts.

OFFSETTING

Financial assets and liabilities are off-set and the net amount reported in the statement of financial position when there is a legally enforceable right to off-set the recognised amount, and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

BORROWING COSTS

Borrowing costs that are incurred by the City are expensed in the statement of financial performance in the period during which they are incurred, regardless of how the borrowings are applied.

SIGNIFICANT ACCOUNTING POLICIES

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

SERVICES IN KIND

The City does not recognise services in kind as revenue or as an asset, but the nature and type of major classes of services in kind are disclosed in note 23.

COMPARATIVE INFORMATION

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

RELATED PARTIES

The City regards a related party as a person or an entity with the ability to control the Entity either individually or jointly, or the ability to exercise significant influence over the City, or vice versa.

Management is regarded as a related party, and comprises the councillors, Executive Mayor, Executive Deputy Mayor, Mayoral Committee (Mayco) members, City Manager and executive directors.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2018

Rand thousands

	Note	2018	2017
ASSETS			
Non-current assets		49 601 006	46 389 329
Property, plant and equipment	2	43 153 766	40 196 491
Heritage assets	3	8 891	8 904
Investment property	4	584 713	586 427
Intangible assets	5	716 009	678 871
Investments	6	5 111 773	4 877 663
Long-term receivables	7	25 854	40 973
Current assets		15 332 895	12 250 660
Inventory	8	471 727	324 536
Receivables	9	5 997 778	5 724 863
Other receivables	10	1 380 906	1 077 455
Investments	6	1 981 576	1 654 114
Current portion of long-term receivables	7	14 290	14 201
Cash and cash equivalents	11	5 486 618	3 455 491
TOTAL ASSETS		64 933 901	58 639 989
LIABILITIES			
Non-current liabilities		12 717 715	11 898 945
Borrowings	12	6 492 538	5 789 616
Provisions	14	6 225 177	6 109 329
Current liabilities		8 876 006	8 766 304
Deposits	15	381 660	351 710
Provisions	16	1 015 155	964 292
Payables from exchange transactions	17	5 901 661	5 963 079
Unspent conditional grants and receipts	18	1 067 745	1 054 374
Value-added tax	19	132 982	93 366
Current portion of borrowings	12	376 803	334 185
Bank overdraft	11	-	5 298
TOTAL LIABILITIES		21 593 721	20 665 249
NET ASSETS			
Total net assets		43 340 180	37 974 740
Housing development fund	20	359 289	331 568
Reserves		3 105 791	3 441 617
Accumulated surplus		39 875 100	34 201 555
TOTAL NET ASSETS AND LIABILITIES		64 933 901	58 639 989

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

	Note	2018	Restated ¹ 2017
REVENUE			
Exchange revenue		21 370 479	20 607 688
Service charges	21	18 999 747	18 619 105
Rental of letting stock and facilities		513 805	358 497
Finance income	22	1 081 236	965 283
Licences and permits		46 788	47 741
Agency services		213 550	188 238
Other income	23	434 876	242 040
Gains on disposal of property, plant and equipment		80 477	186 784
Non-exchange revenue		18 652 442	17 554 658
Finance income	22	76 885	81 005
City improvement districts (CIDs)	23	198 921	169 260
Property rates	24	8 470 387	8 105 126
Fuel levy		2 417 635	2 197 740
Fines, penalties and forfeits		1 644 474	1 241 128
Government grants and subsidies	25	5 744 790	5 648 752
Public contributions	26	99 350	111 647
Total revenue		40 022 921	38 162 346
EXPENDITURE			
Employee-related costs	27	10 866 949	9 659 300
Remuneration of councillors	40.2.1	154 923	138 373
Impairment costs	28	2 582 999	2 423 157
Collection costs		207 853	198 278
Depreciation and amortisation expenses ²		2 566 995	2 209 274
Finance costs	29	781 928	731 823
Bulk purchases	30	8 127 378	8 438 102
Contracted services		4 322 605	4 171 123
Grants and subsidies paid		164 022	111 829
General expenses	31	4 876 219	4 764 561
Losses on disposal of property, plant and equipment		5 610	7 376
Total expenditure		34 657 481	32 853 196
Surplus from operations		5 365 440	5 309 150
Discontinued operation			
Deficit from discontinued operation	32	(27 479)	(52 451)
NET SURPLUS FROM CONTINUED OPERATIONS		5 392 919	5 361 601

¹ Comparative restated: See note 32 for more details.² See Annexure B for more detail.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

	Housing development fund	Capital replacement reserve	Insurance reserves	Accumulated surplus	Total
2016					
Balance as at 30 June 2016	340 096	2 119 182	545 157	29 846 771	32 851 206
Correction of error	-	-	-	(185 616)	(185 616)
Restated balance as at 30 June 2016 ¹	340 096	2 119 182	545 157	29 661 155	32 665 590
2017					
Restated surplus ¹				5 309 150	5 309 150
Surplus as previously reported	-	-	-	5 304 628	-
Correction of error	-	-	-	4 522	-
Transfer to/(from)	9 522	1 586 966	16 139	(1 612 627)	-
Property, plant and equipment purchased	(18 050)	(825 827)	-	843 877	-
Restated balance as at 30 June 2017 ¹	331 568	2 880 321	561 296	34 201 555	37 974 740
2018					
Surplus for the year	-	-	-	5 365 440	5 365 440
Transfer to/(from)	35 075	784 791	17 032	(836 898)	-
Property, plant and equipment purchased	(7 354)	(1 137 649)	-	1 145 003	-
Balance as at 30 June 2018	359 289	2 527 463	578 328	39 875 100	43 340 180

¹ Comparative restated: see note 37 for more details.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

	Note	2018	Restated ¹ 2017
CASH FLOW FROM OPERATING ACTIVITIES			
CONTINUED OPERATION			
Cash receipts from ratepayers, government and other		34 841 627	32 975 883
Cash paid to suppliers and employees		(27 925 499)	(26 655 885)
Cash generated from operations	33	6 916 128	6 319 998
Finance income		1 150 624	999 822
Finance costs		(689 670)	(666 163)
Net cash from continued operations		7 377 082	6 653 657
DISCONTINUED OPERATION ¹			
Cash receipts from ratepayers, government and other		6 039	11 209
Cash paid to suppliers and employees		(33 518)	(63 660)
Net cash from discontinued operation	32	(27 479)	(52 451)
NET CASH FROM OPERATING ACTIVITIES		7 349 603	6 601 206
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment and other		(5 588 905)	(5 904 620)
Proceeds on disposal of assets		98 239	198 742
Decrease in long-term receivables		15 030	13 614
Increase in investments		(561 572)	(410 412)
NET CASH FROM INVESTING ACTIVITIES		(6 037 208)	(6 102 676)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		1 000 000	-
Repayment of borrowings		(305 920)	(407 883)
Increase in deposits		29 950	27 077
NET CASH FROM FINANCING ACTIVITIES		724 030	(380 806)
NET INCREASE IN CASH AND CASH EQUIVALENTS	34	2 036 425	117 724
Cash and cash equivalents at the beginning of the year		3 450 193	3 332 469
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		5 486 618	3 450 193

¹ Comparative restated: See note 32 and 33 for more details.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

	Note	Approved budget ¹	Final budget ¹	Actual per annual financial statements classification	Classification differences ²	Actual per budget classification	Variance: Final budget and actual amounts	Variance %
STATEMENT OF FINANCIAL POSITION	38.2.1							
Total non-current assets		51 132 282	51 132 282	49 601 006	-	49 601 006	1 531 276	2,99
Total current assets		14 615 569	14 615 569	15 332 895	-	15 332 895	(717 326)	(4,91)
Total assets		65 747 851	65 747 851	64 933 901	-	64 933 901	813 950	1,24
Total non-current liabilities		12 922 577	12 922 577	12 717 715	-	12 717 715	204 862	1,59
Total current liabilities	i	12 223 285	12 223 285	8 876 006	-	8 876 006	3 347 279	27,38
Total liabilities		25 145 862	25 145 862	21 593 721	-	21 593 721	3 552 141	14,13
Total net assets		40 601 989	40 601 989	43 340 180	-	43 340 180	(2 738 191)	(6,74)
Total net assets and liabilities		65 747 851	65 747 851	64 933 901	-	64 933 901	813 950	1,24
FINANCIAL PERFORMANCE	38.2.2							
Property rates		8 694 931	8 694 931	8 470 387	198 921	8 669 308	25 623	0,29
Service charges		17 184 556	17 184 556	18 999 747	(1 140 682)	17 859 065	(674 509)	(3,93)
Investment revenue		893 657	893 657	1 158 121	(280 137)	877 984	15 673	1,75
Transfers recognised - operational	i	4 609 752	4 609 752	4 011 324	2 439 321	6 450 645	(1 840 893)	(39,93)
Other own revenue	ii	5 287 285	5 287 285	5 550 526	(1 808 983)	3 741 543	1 545 742	29,24
Total revenue (excluding capital transfers and contributions)		36 670 181	36 670 181	38 190 105	(591 560)	37 598 545	(928 364)	(2,53)
Employee costs		11 505 286	11 493 977	10 866 949	(1 626)	10 865 323	628 654	5,47
Remuneration of councillors		155 565	155 565	154 923	-	154 923	642	0,41
Depreciation and asset impairment		2 520 137	2 520 137	2 566 995	11 566	2 578 561	(58 424)	(2,32)
Finance charges	iii	993 544	994 071	781 928	20	781 948	212 123	21,34
Materials and bulk purchases		9 925 053	9 956 640	8 127 378	1 218 124	9 345 502	611 138	6,14
Transfers and grants		414 450	447 560	164 022	244 015	408 037	39 523	8,83
Other expenditure		10 898 706	10 844 791	11 995 286	(2 085 345)	9 909 941	934 850	8,62
Total expenditure		36 412 741	36 412 741	34 657 481	(613 246)	34 044 235	2 368 506	6,50
Surplus		257 440	257 440	3 532 624	21 686	3 554 310	(3 296 870)	
Transfers recognised - capital	iv	2 092 130	2 092 130	1 733 466	(584)	1 732 882	359 248	17,17
Contributions recognised - capital and contributed assets	v	96 585	96 585	99 350	(21 102)	78 248	18 337	18,99
Surplus after capital transfers and contributions		2 446 155	2 446 155	5 365 440	-	5 365 440	(2 919 285)	(119,34)

¹ / ² See note 38 for more detail.

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	Note	Approved budget ¹	Final budget ¹	Actual per annual financial statements classification	Recognition differences ³	Actual per budget classification	Variance: Final budget and actual amounts	Variance %
CASH FLOW STATEMENT	38.2.3							
Net cash from operating	i	5 051 421	5 051 421	7 349 603	-	7 349 603	(2 298 182)	(45,50)
Net cash from investing	ii	(7 232 888)	(7 232 888)	(6 037 208)	-	(6 037 208)	(1 195 680)	16,53
Net cash from financing	iii	3 597 199	3 597 199	724 030	-	724 030	2 873 169	79,87
Net increase in cash and cash equivalents		1 415 732	1 415 732	2 036 425	-	2 036 425	(620 693)	(43,84)
CAPITAL EXPENDITURE	38.3.1							
Area-Based Service Delivery		19 648	19 648	19 019	-	19 019	629	3,20
Assets and Facilities Management		431 322	431 322	411 808	-	411 808	19 514	4,52
City Manager	i	192	192	172	-	172	20	10,42
Corporate Services		362 758	362 758	354 037	-	354 037	8 721	2,40
Directorate of the Mayor	ii	18 921	18 921	17 057	-	17 057	1 864	9,85
Energy	iii	1 177 050	1 177 050	1 024 550	-	1 024 550	152 500	12,96
Finance		13 710	13 710	13 114	-	13 114	596	4,35
Informal Settlements, Water and Waste Services	iv	3 654 940	3 654 940	2 097 367	14 714	2 112 081	1 542 859	42,21
Safety and Security		160 128	160 128	158 094	(1 798)	156 296	3 832	2,39
Social Services	v	279 906	279 906	260 647	(3 433)	257 214	22 692	8,11
Transport and Urban Development Authority	vi	1 562 428	1 562 428	1 238 756	(485)	1 238 271	324 157	20,75
Total		7 681 003	7 681 003	5 594 621	8 998	5 603 619	2 077 384	27,05

¹ / ³ See note 38 for more detail.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

1. FINANCIAL RISK MANAGEMENT

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the City's operations. This note presents information about the City's exposure to each of the above risks, policies and processes for measuring and managing risk, and the City's management of capital. Further quantitative disclosures are included throughout these financial statements.

Exposure to currency, interest rate, liquidity and credit risk arises in the normal course of the City's operations. This note presents information about the City's exposure to each of the above risks, policies and processes for measuring and managing risk, and the City's management of capital. Further quantitative disclosures are included throughout these financial statements.

The accounting policy for financial instruments was applied to the following statement of financial position items:

	Amortised cost	Fair value	Cost	Total carrying amount	Fair value
Financial assets					
2018					
Investments	2 411 026	4 166 793	520 849	7 098 668	7 120 600
Long-term receivables	40 144	-	-	40 144	40 144
Receivables	5 997 778	-	-	5 997 778	5 997 778
Other receivables	1 335 499	-	-	1 335 499	1 335 499
Cash and cash equivalents	4 535 613	945 686	-	5 481 299	5 481 299
TOTAL	14 320 060	5 112 479	520 849	19 953 388	19 975 320
Derivative financial assets					
Forward exchange contracts	11	-	-	11	11
Financial assets					
2017					
Investments	2 136 131	3 812 199	588 766	6 537 096	6 552 469
Long-term receivables	55 174	-	-	55 174	55 174
Receivables	5 724 863	-	-	5 724 863	5 724 863
Other receivables	989 034	-	-	989 034	989 034
Cash and cash equivalents	2 546 223	898 651	-	3 444 874	3 444 874
TOTAL	11 451 425	4 710 850	588 766	16 751 041	16 766 414
Derivative financial assets					
Forward exchange contracts	190	-	-	190	190

	Amortised cost	Total carrying amount	Fair value
2018			
Non-derivative financial liabilities			
Borrowings	6 869 341	6 869 341	6 033 741
Payables	4 791 596	4 791 596	4 791 596
TOTAL	11 660 937	11 660 937	10 825 337
2017			
Non-derivative financial liabilities			
Borrowings	6 123 801	6 123 801	6 320 013
Payables	4 598 724	4 598 724	4 598 724
TOTAL	10 722 525	10 722 525	10 918 737

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

1. FINANCIAL RISK MANAGEMENT (continued)

1.1 Fair values

The table below analyses financial instruments carried at fair value at the end of the reporting period, by level of fair-value hierarchy. The different levels are based on the extent to which quoted prices are used in the calculation of the fair value of the financial instruments, and have been defined as follows:

Level 1: Fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.

Level 2: Fair values are calculated using valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active, or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data, and the unobservable inputs have a significant effect on the instrument's valuation. Also, this category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

	Level 1	Level 2	Level 3	Total
2018				
Financial assets				
Investments	1 097 071	3 069 722	-	4 166 793
Cash and cash equivalents	-	945 686	-	945 686
TOTAL	1 097 071	4 015 408	-	5 112 479

Derivative financial assets
Forward exchange contracts

	11	-	-	11
--	----	---	---	----

2017

Financial assets

Investments	2 059 923	1 752 276	-	3 812 199
Cash and cash equivalents	-	898 651	-	898 651
TOTAL	2 059 923	2 650 927	-	4 710 850

Derivative financial assets
Forward exchange contracts

	190	-	-	190
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1.2 Liquidity risk

Liquidity risk is the risk of the City not being able to meet its obligations as they fall due. The City's approach to managing liquidity risk is to ensure that sufficient cash is available to meet its expected operating expenses and liabilities when due, without incurring unacceptable losses or risking damage to the City's reputation. This is achieved by using cash flow forecasts.

The following are contractual liabilities of which interest is included in borrowings:

	Up to 1 year	1-5 years	>5 years	Total
2018				
Non-derivative financial liabilities	5 926 461	4 669 879	5 290 545	15 886 885
Borrowings	1 134 865	4 669 879	5 290 545	11 095 289
Capital repayments	415 723	2 049 204	4 404 414	6 869 341
Interest	719 142	2 620 675	886 131	4 225 948
Payables	4 791 596	-	-	4 791 596
Trade payables	4 316 747	-	-	4 316 747
Sundry creditors	474 849	-	-	474 849
TOTAL	5 926 461	4 669 879	5 290 545	15 886 885

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

1. FINANCIAL RISK MANAGEMENT (continued)

1.3 Credit risk

Credit risk is the risk of financial loss to the City if customers or counterparties to financial instruments fail to meet their contractual obligations, and arises principally from the City's investments, receivables, and cash and cash equivalents.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk as at 30 June was as follows:

	2018	2017
Investments	6 577 819	5 948 330
Long-term receivables – see note 7	40 144	55 174
Receivables and other receivables	7 333 277	6 713 897
Cash and cash equivalents	5 481 299	3 444 874
TOTAL	19 432 539	16 162 275

Investments and cash and cash equivalents

The City limits its exposure to credit risk by investing with only reputable financial institutions that have a sound credit rating, and within specific guidelines set in accordance with Council's approved investment policy. Consequently, the City does not consider there to be any significant exposure to credit risk.

Long-term receivables

Loans were granted and are managed in accordance with policies and regulations as set out in note 7. The associated interest rates and repayments are clearly defined and, where appropriate, the City obtains certain suitable forms of security when granting loans. Allowances for impairment are made in certain instances. No further loans have been awarded.

Receivables

Receivables are amounts owing by consumers, and are presented net of impairment losses. The City has a credit risk policy in place, and the exposure to credit risk is monitored on an ongoing basis. The City is compelled in terms of its constitutional mandate to provide all its residents with basic minimum services, without recourse to an assessment of creditworthiness. There were no material changes in its objectives, policies and processes for managing and measuring the risk during the year under review. The City's strategy for managing its risk includes encouraging residents to install water demand management devices that control water flow to households, as well as prepaid electricity meters. In certain instances, a deposit is required for new service connections, serving as a guarantee.

The City's maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position. The City has no significant concentration of credit risk, with exposure spread over a large number of consumers, and is not concentrated in any particular sector or geographic area. The City establishes an allowance for impairment that represents its estimate of anticipated losses in respect of receivables. The outstanding amounts of the ten largest debtors represent 1,34% (2017: 0,89%) of the total outstanding balance. The average credit period on services rendered is 30 days from date of invoice. Interest is raised at prime plus 1% on any unpaid accounts after the due date. The City has provided fully for all receivables outstanding over 365 days. Receivables up to 365 days are provided for based on estimated irrecoverable amounts, determined by reference to past default experience. Additional information relating to the analysis of receivables is given in note 9 and 10.

Payment of accounts of consumer debtors who are unable to pay, are renegotiated as an ongoing customer relationship in response to an adverse change in the circumstances of the customer. Traffic fines can be contested in writing and can lead to a renegotiated fine.

1.4 Capital management

The primary objective of managing the City's capital is to ensure that there is sufficient cash available to support the City's funding requirements, including capital expenditure, to ensure that the City remains financially sound. This is done through the use of the following key ratios:

- **Cost coverage ratio** which is used to calculate the City's ability to meet its monthly operating commitments from cash and short-term investment without collecting any additional revenue, during that month.
- **Net debt to income** to determine the affordability of total borrowings to be funded from operating revenue.

1.5 Price risk

The City is exposed to price risk because of investments held by the City and classified as financial instruments carried at fair value. The City is not exposed to commodity price risk. To manage its price risk arising from investments, the City diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the City. The exposure to price risk is not material to the City and, consequently, is not elaborated on any further.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

1. FINANCIAL RISK MANAGEMENT (continued)

1.6 Market risk

Market risk is the risk that changes in market prices such as interest rates and foreign-exchange rates affecting the City's income or the value of its financial instrument holdings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on the risk.

1.6.1 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The City's exposure to the risk of changes in market rates relates primarily to the City's investments with floating interest rates.

The effective rates on financial instruments as at 30 June 2018 were as follows:

	Maturity of interest-bearing assets/liabilities				
	Weighted average interest rate %	1 year or less	1-5 years	>5 years	Total
Financial assets					
Investments	8,25	2 863 850	2 881 836	1 714 406	7 460 092
Cash and cash equivalents	6,92	4 535 613	-	-	4 535 613
TOTAL		7 399 463	2 881 836	1 714 406	11 995 705
Financial liabilities					
Borrowings	10,06	415 723	2 049 204	4 404 414	6 869 341

Sensitivity analysis

Financial assets

As at 30 June 2018, if the weighted average interest rate at that date had been 100 basis points higher, with all other variables held constant, the fair-value impact on the statement of financial performance would have been R100,14 million with the opposite effect if the interest rate had been 100 basis points lower.

The sensitivity analysis is performed by dividing the total investment interest earned for the year by the average interest rate earned to give the effect of a one percent movement in interest rates.

Financial liabilities

Changes in the interest rate as at 30 June 2018 would have no impact on the statement of financial performance as all borrowings are at a fixed interest rate.

1.6.2 Currency risk

The City is exposed to foreign-currency risk through the importation of goods and services, either directly or indirectly, through the award of contracts to local importers. The City manages any material direct exposure to foreign-currency risk by entering into forward exchange contracts. The City manages its indirect exposure by requiring the local importer to take out a forward exchange contract at the time of procurement, in order to predetermine the rand value of the contracted goods or services.

Sensitivity analysis

As at 30 June 2018, if the foreign exchange rate at that date had been 5% higher, with all other variables held constant, the surplus for the year would have increased with R63 424,94 due to the changes in the carrying value of the foreign exchange asset at the reporting date, with the opposite effect if the foreign exchange rate had been 5% lower.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

2. PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2018			As at 30 June 2017		
	Cost price	Accumulated Depreciation	Carrying value	Cost price	Accumulated Depreciation	Carrying value
Land and buildings	3 828 532	(924 880)	2 903 652	3 423 825	(878 570)	2 545 255
Infrastructure	39 017 783	(12 001 275)	27 016 508	35 797 548	(10 765 397)	25 032 151
Community	9 224 175	(2 952 476)	6 271 699	8 546 706	(2 677 723)	5 868 983
Other	9 267 974	(5 235 196)	4 032 778	8 568 335	(4 905 826)	3 662 509
Service concession	1 411 417	(576 910)	834 507	1 410 668	(455 127)	955 541
Housing rental stock	3 115 668	(1 021 046)	2 094 622	3 073 753	(941 701)	2 132 052
TOTAL	65 865 549	(22 711 783)	43 153 766	60 820 835	(20 624 344)	40 196 491

Reconciliation of property, plant and equipment

	Opening balance	Transfers/ adjustments	Additions	Disposals	Depreciation	Impairment	Carrying value
As at 30 June 2018							
Land and buildings	2 545 255	235 171	169 485	(361)	(45 303)	(595)	2 903 652
Infrastructure	25 032 151	(505 094)	3 725 408	-	(1 231 734)	(4 223)	27 016 508
Community	5 868 983	308 678	368 892	(15)	(274 143)	(696)	6 271 699
Other	3 662 509	(103 634)	1 139 502	(19 551)	(644 970)	(1 078)	4 032 778
Service concession	955 541	481	268	-	(116 809)	(4 974)	834 507
Housing rental stock	2 132 052	-	63 172	(3 445)	(97 157)	-	2 094 622
TOTAL	40 196 491	(64 398)	5 466 727	(23 372)	(2 410 116)	(11 566)	43 153 766

(See annexure B for more details)

As at 30 June 2017

Land and buildings	2 154 183	122 598	350 711	(6 651)	22 909	(98 495)	2 545 255
Infrastructure	21 871 773	90 053	4 176 053	(539)	(1 105 189)	-	25 032 151
Community	5 760 971	54 105	316 871	-	(262 964)	-	5 868 983
Other	3 852 572	(579 070)	935 437	(7 392)	(537 858)	(1 180)	3 662 509
Service concession	1 073 461	(1 085)	-	-	(116 835)	-	955 541
Housing rental stock	1 993 968	169 490	62 596	(4 700)	(89 302)	-	2 132 052
TOTAL	36 706 928	(143 909)	5 841 668	(19 282)	(2 089 239)	(99 675)	40 196 491

The 2017 comparative amounts have been restated that includes in the 'Infrastructure' assets are security infrastructure previously reported under 'Community' assets.

Assets under construction – Carrying value

	2018	2017
Infrastructure	2 600 717	3 441 462
Community	217 903	123 887
Other	368 406	375 499

PPE consisting of projects significantly delayed amounting to R254,87 million (2017: R186,97 million) is included in the Asset under construction (infrastructure and community) carrying values. The significant delays are mainly due to delays in the roll-out of certain sections of the IRT network R150,55 million (2017: R104,18 million) and contractor problems in the completion of a new Outage Management System R46,22 million.

Included in the Asset under construction (community) carrying value is a halted project amounting to R27,70 million (2017: R19,20 million - infrastructure). This housing project has been placed on hold due to continued community protests.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

2. PROPERTY, PLANT AND EQUIPMENT (continued)

Capital commitments

	2018	2017
Approved and contracted for capital expenditure		
Infrastructure	1 651 658	2 485 029
Community	63 446	96 163
Other	312 963	211 731
TOTAL	2 280 67	2 792 923

Capital commitments represent future capital expenditure exclusive of VAT. The City has the obligation to spend these amounts due to signed contracts with suppliers.

Repairs and maintenance

The City's amount is R2,45 billion (2017: R2,36 billion) for the reporting financial year. In determining the repairs and maintenance amount the City has exclusively disclosed amounts charged by the service providers.

Residual value

During the current financial year, the City reviewed the estimated useful lives and residual values of property, plant and equipment, where appropriate (see note 37).

Impairment

The recoverable amount of impaired assets is R53,79 million (2017: R65,82 million). Impairment losses arise mainly from damage to City movable and immovable assets due to accidents and protest actions.

Service concession assets

The City has entered into Service Concession arrangements with three operators on the MyCiti IRT system. Included are IRT buses and related depots. The City does however retain full control over the nature, timing and extent of the services that the operators have to perform.

3. HERITAGE ASSETS

	As at 30 June 2018			As at 30 June 2017		
	Cost price	Accumulated Depreciation	Carrying value	Cost price	Accumulated Depreciation	Carrying value
Paintings and museum items	8 891	-	8 891	8 904	-	8 904

Reconciliation of property, plant and equipment

	Opening balance	Transfers/ adjustments	Additions	Disposals	Carrying value
As at 30 June 2018					
Paintings and museum items	8 904	(13)	-	-	8 891
(See annexure B for more details)					
As at 30 June 2017					
Paintings and museum items	9 049	(144)	-	(1)	8 904

Heritage assets are held at cost, as it is impractical to determine their fair value.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

4. INVESTMENT PROPERTY

	As at 30 June 2018			As at 30 June 2017		
	Cost price	Accumulated Depreciation	Carrying value	Cost price	Accumulated Depreciation	Carrying value
Land and buildings	642 681	(57 968)	584 713	642 681	(56 254)	586 427

Reconciliation of property, plant and equipment

	Opening balance	Transfers/ adjustments	Additions	Depreciation	Disposals	Carrying value
As at 30 June 2018						
Land and buildings	586 427	-	-	(1 714)	-	584 713

(See annexure B for more details)

As at 30 June 2017						
Land and buildings	588 191	-	-	(1 713)	(51)	586 427

5. INTANGIBLE ASSETS

	As at 30 June 2018			As at 30 June 2017		
	Cost price	Accumulated Depreciation	Carrying value	Cost price	Accumulated Depreciation	Carrying value
Acquisition of rights	561 441	(284 457)	276 984	561 441	(214 392)	347 049
Computer software	1 003 942	(564 917)	439 025	811 639	(479 817)	331 822
TOTAL	1 565 383	(849 374)	716 009	1 373 080	(694 209)	678 871

Reconciliation of property, plant and equipment

	Opening balance	Transfers/ adjustments	Additions	Amortisation	Carrying value
As at 30 June 2018					
Acquisition of rights	347 049	116	-	(70 180)	276 985
Computer software	331 822	64 293	127 894	(84 985)	439 024
TOTAL	678 871	64 409	127 894	(155 165)	716 009

(See annexure B for more details)

As at 30 June 2017					
Acquisition of rights	430 754	(13 780)	-	(69 925)	347 049
Computer software	198 408	102 343	79 468	(48 397)	331 822
TOTAL	629 162	88 563	79 468	(118 322)	678 871

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

6. INVESTMENTS

	Amortised cost	Fair value	Cost	Total
As at 30 June 2018				
RSA Government stock	82 838	-	-	82 838
Guaranteed investment instruments – see note 12	2 264 754	-	-	2 264 754
Other fixed deposits	4 354 545	-	-	4 354 545
Deposits held with fund managers	-	5 112 479	-	5 112 479
Shares in CTICC	-	-	833 998	833 998
	6 702 137	5 112 479	833 998	12 648 614
Provision for impairment	(5 319)	-	(313 149)	(318 468)
Net investments	6 696 818	5 112 479	520 849	12 330 146
Transferred to current investments	(63 412)	(1 918 164)	-	(1 981 576)
Transferred to cash and cash equivalents – see note 11	(4 291 111)	(945 686)	-	(5 236 797)
TOTAL	2 342 295	2 248 629	520 849	5 111 773
As at 30 June 2017				
RSA Government stock	84 240	-	-	84 240
Guaranteed investment instruments – see note 12	2 051 869	-	-	2 051 869
Other fixed deposits	2 050 825	-	-	2 050 825
Deposits held with fund managers	-	4 710 850	-	4 710 850
Shares in CTICC	-	-	833 998	833 998
	4 186 934	4 710 850	833 998	9 731 782
Provision for impairment	(5 319)	-	(245 232)	(250 551)
Net investments	4 181 615	4 710 850	588 766	9 481 231
Transferred to current investments	-	(1 654 114)	-	(1 654 114)
Transferred to cash and cash equivalents – see note 11	(2 050 803)	(903 949)	-	(2 954 752)
Transferred to bank overdraft – see note 11	-	5 298	-	5 298
TOTAL	2 130 812	2 158 085	588 766	4 877 663

Collateral deposits for staff housing loans

Included in other fixed deposits are fixed deposits with a carrying value of R0,04 million (2017: R0,04 million), which were pledged as security deposits for securing staff home loans with financial institutions.

These pledges are repaid as soon as the employees' outstanding home loan balance is below 80% of the approved loan amount. The City has not issued fixed deposits as security since 2000, however, interest earned on certain deposits are still being capitalised. The City's exposure to risk is minimised by an insurance policy taken out by the employee and ceded to the City to cover the guaranteed deposit.

Cape Town International Convention Centre (Pty) Ltd (CTICC)

The cost of the City's investment in CTICC at 30 June 2018 is R833,99 million (2017: R833,99 million) and the impairment loss provision is R313,15 million (2017: R245,23 million). At year end an impairment assessment was made based on the projected cash flows of the entity. Based on the calculation, a fair value of R520,84 million was determined. This resulted in an increase of R67,92 million in the impairment.

Compensation for occupational injuries and diseases (COID investments)

The RSA Government stock (bonds) was purchased at the request of the Department of Labour in terms of the Occupational Injuries and Diseases Act, Act 130 of 1993. The Compensation Commissioner is required to hold the physical scrip as security for the City's liabilities under the Act.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	2018	2017
7. LONG-TERM RECEIVABLES		
	906	2 526
Other	4 498	5 630
Provision for impairment	(3 592)	(3 104)
	39 238	52 648
Housing selling developments	47 648	62 602
Provision for impairment	(8 410)	(9 954)
	40 144	55 174
Transferred to current receivables	(14 290)	(14 201)
TOTAL	25 854	40 973
Reconciliation of impairment provision		
Balance at beginning of the year	13 058	20 175
Contribution from provisions	(1 056)	(7 117)
Balance as at 30 June	12 002	13 058

7.1 Other

Sporting bodies

To facilitate the development of sporting facilities, loans were historically made to provide the necessary financial assistance. These loans attract interest at a rate of 3,63% to 12% per annum, and are repayable over a maximum period of 20-40 years.

Housing land sale

The long-term loan to the Khayelitsha Community Trust (KCT) (sale of portion 1 to 3, erf 58856) is repayable over 18 years. Annual payments are received, with the final payment due in 2024.

Public organisations

Loans to public organisations were granted in terms of the National Housing Policy. At present, these loans attract interest at 1%, and are repayable over 30 years. With the implementation of new legislation (the MFMA and the Housing Act), no further loans have been awarded, and the remaining loans will be discounted in 2018/2019. Examples of public organisations that were granted loans are the Salvation Army and the Alta du Toit School.

7.2 Housing selling development loans

Housing loans were historically granted to qualifying individuals in terms of the National Housing Policy. These loans currently attract interest at 10% (2017:10,50%) per annum, and are repayable over 20 years. The interest rate is determined by Council policy.

8. INVENTORY

Consumable stock	355 679	247 307
Water	42 049	21 849
Other goods held for use/resale	73 999	55 380
TOTAL	471 727	324 536

Inventory to the value of R0,33 million (2017: R0,91 million) was scrapped during the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

9. RECEIVABLES

	As at 30 June 2018			As at 30 June 2017		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
From exchange transactions	8 776 414	(4 942 650)	3 833 764	7 933 258	(4 435 527)	3 497 731
Service debtors	7 700 505	(4 044 152)	3 656 353	6 887 079	(3 585 255)	3 301 824
Housing rental stock	755 533	(679 652)	75 881	702 237	(633 917)	68 320
Housing selling stock	201 779	(172 933)	28 846	195 470	(164 278)	31 192
Other exchange debtors	118 597	(45 913)	72 684	148 472	(52 077)	96 395
From non-exchange transactions	2 949 213	(785 199)	2 164 014	2 953 606	(726 474)	2 227 132
Rates debtors	2 905 875	(780 645)	2 125 230	2 910 955	(721 024)	2 189 931
Other non-exchange debtors	43 338	(4 554)	38 784	42 651	(5 450)	37 201
TOTAL	11 725 627	(5 727 849)	5 997 778	10 886 864	(5 162 001)	5 724 863

As at 30 June 2018, the City's receivables balance included an amount of approximately R199,34 million (2017: R227,52 million), owed by National Government and Province.

	2018	2017
Reconciliation of impairment provision		
Balance at beginning of the year	5 162 001	4 703 941
Contributions to provisions	1 850 626	1 434 760
Transfers from provisions	(6 864)	(5 051)
Bad debts written off	(1 277 914)	(971 649)
Balance as at 30 June	5 727 849	5 162 001

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

9. RECEIVABLES (continued)

	Analysis of receivables' age in days					
	As at 30 June 2018			As at 30 June 2017		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
FROM EXCHANGE TRANSACTIONS	8 776 414	(4 942 650)	3 833 764	7 933 258	(4 435 527)	3 497 731
Service debtors	7 700 505	(4 044 152)	3 656 353	6 887 079	(3 585 255)	3 301 824
Not past due date	2 313 628	(452 733)	1 860 895	1 904 685	(216 259)	1 688 426
Past due						
0-90	1 237 357	(310 338)	927 019	626 411	(117 911)	508 500
91-365	1 211 710	(343 271)	868 439	1 403 910	(299 012)	1 104 898
365+	2 937 810	(2 937 810)	-	2 952 073	(2 952 073)	-
• Electricity	1 663 192	(328 438)	1 334 754	1 569 272	(232 768)	1 336 504
Not past due date	889 685	(11 740)	877 945	971 132	(4 943)	966 189
Past due						
0-90	346 894	(4 577)	342 317	201 999	(1 028)	200 971
91-365	116 023	(1 531)	114 492	170 210	(866)	169 344
365+	310 590	(310 590)	-	225 931	(225 931)	-
• Water	4 029 540	(2 571 860)	1 457 680	3 419 076	(2 208 466)	1 210 610
Not past due date	950 590	(375 219)	575 371	536 026	(161 053)	374 973
Past due						
0-90	705 613	(278 521)	427 092	369 167	(110 920)	258 247
91-365	752 079	(296 862)	455 217	825 384	(247 994)	577 390
365+	1 621 258	(1 621 258)	-	1 688 499	(1 688 499)	-
• Waste management	565 488	(335 654)	229 834	555 420	(326 505)	228 915
Not past due date	109 543	(6 694)	102 849	94 255	(8 015)	86 240
Past due						
0-90	27 428	(1 676)	25 752	31 935	(2 716)	29 219
91-365	107 821	(6 588)	101 233	124 001	(10 545)	113 456
365+	320 696	(320 696)	-	305 229	(305 229)	-
• Wastewater management	1 442 285	(808 200)	634 085	1 343 311	(817 516)	525 795
Not past due date	363 810	(59 080)	304 730	303 272	(42 248)	261 024
Past due						
0-90	157 422	(25 564)	131 858	23 310	(3 247)	20 063
91-365	235 787	(38 290)	197 497	284 315	(39 607)	244 708
365+	685 266	(685 266)	-	732 414	(732 414)	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

9. RECEIVABLES (continued)

	Analysis of receivables' age in days (continued)					
	As at 30 June 2018			As at 30 June 2017		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
FROM EXCHANGE TRANSACTIONS (continued)						
Housing rental stock	755 533	(679 652)	75 881	702 237	(633 917)	68 320
Not past due date	72 611	(46 558)	26 053	53 359	(34 358)	19 001
Past due						
0-90	54 072	(34 671)	19 401	52 146	(33 577)	18 569
91-365	84 801	(54 374)	30 427	86 352	(55 602)	30 750
365+	544 049	(544 049)	-	510 380	(510 380)	-
Housing selling stock	201 779	(172 933)	28 846	195 470	(164 278)	31 192
Not past due date	343	(62)	281	11 985	(2 019)	9 966
Past due						
0-90	19 149	(3 488)	15 661	10 049	(1 693)	8 356
91-365	15 778	(2 874)	12 904	15 479	(2 609)	12 870
365+	166 509	(166 509)	-	157 957	(157 957)	-
Other exchange debtors	118 597	(45 913)	72 684	148 472	(52 077)	96 395
Not past due date	40 587	-	40 587	72 082	-	72 082
Past due						
0-90	16 141	-	16 141	9 690	-	9 690
91-365	15 956	-	15 956	14 623	-	14 623
365+	45 913	(45 913)	-	52 077	(52 077)	-
FROM NON-EXCHANGE TRANSACTIONS	2 949 213	(785 199)	2 164 014	2 953 606	(726 474)	2 227 132
Rates debtors	2 905 875	(780 645)	2 125 230	2 910 955	(721 024)	2 189 931
Not past due date	1 911 885	(25 699)	1 886 186	1 974 533	(110 406)	1 864 127
Past due						
0-90	46 271	(622)	45 649	87 147	(4 873)	82 274
91-365	196 030	(2 635)	193 395	257 953	(14 423)	243 530
365+	751 689	(751 689)	-	591 322	(591 322)	-
Other non-exchange debtors	43 338	(4 554)	38 784	42 651	(5 450)	37 201
Not past due date	29 486	-	29 486	30 293	-	30 293
Past due						
0-90	6 567	(793)	5 774	6 637	(1 198)	5 439
91-365	4 007	(483)	3 524	1 793	(324)	1 469
365+	3 278	(3 278)	-	3 928	(3 928)	-
TOTAL	11 725 627	(5 727 849)	5 997 778	10 886 864	(5 162 001)	5 724 863

The 'Not past due date' category represents customers that has not exceeded the 30 day credit period granted by the City to pay their invoices. It also includes debtors to the value of R818,72 million (2017: R142,01 million) who have made arrangements to repay their outstanding arrear debt over a renegotiated period.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

10. OTHER RECEIVABLES

	As at 30 June 2018			As at 30 June 2017		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
From exchange transactions	406 398	(105 225)	301 173	382 679	(55 240)	327 439
Payments made in advance	45 407	-	45 407	88 421	-	88 421
Property rentals	68 721	(60 875)	7 846	59 966	(34 369)	25 597
Other exchange debtors	292 270	(44 350)	247 920	234 292	(20 871)	213 421
From non-exchange transactions	4 014 838	(2 935 105)	1 079 733	3 168 199	(2 418 183)	750 016
Government subsidies	23 058	-	23 058	33 294	-	33 294
Traffic fines	3 784 646	(2 935 105)	849 541	2 927 760	(2 418 183)	509 577
Other non-exchange debtors	207 134	-	207 134	207 145	-	207 145
TOTAL	4 421 236	(3 040 330)	1 380 906	3 550 878	(2 473 423)	1 077 455

	2018	2017
Reconciliation of impairment provision		
Balance at beginning of the year	2 473 423	1 959 413
Contributions to provisions	785 651	830 007
Transfers from provisions	-	(313 998)
Bad debt written off	(218 744)	(1 999)
Balance as at 30 June	3 040 330	2 473 423

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

10. OTHER RECEIVABLES (continued)

	Analysis of receivables' age in days					
	As at 30 June 2018			As at 30 June 2017		
	Gross balance	Allowance for impairment	Net balance	Gross balance	Allowance for impairment	Net balance
FROM EXCHANGE TRANSACTIONS	406 398	(105 225)	301 173	382 679	(55 240)	327 439
Payment made in advance	45 407	-	45 407	88 421	-	88 421
Not past due date	45 407	-	45 407	88 421	-	88 421
Property rentals	68 721	(60 875)	7 846	59 966	(34 369)	25 597
Not past due date	(3 744)	284	(3 460)	(2 251)	10	(2 241)
Past due						
0-90	(8 385)	636	(7 749)	21 169	(93)	21 076
91-365	20 620	(1 565)	19 055	6 792	(30)	6 762
365+	60 230	(60 230)	-	34 256	(34 256)	-
Other exchange debtors	292 270	(44 350)	247 920	234 292	(20 871)	213 421
Not past due date	242 136	(34)	242 102	174 515	(60)	174 455
Past due						
0-90	4 962	(29)	4 933	39 025	(15)	39 010
91-365	922	(37)	885	17	(61)	(44)
365+	44 250	(44 250)	-	20 735	(20 735)	-
FROM NON-EXCHANGE TRANSACTIONS	4 014 838	(2 935 105)	1 079 733	3 168 199	(2 418 183)	750 016
Government subsidies	23 058	-	23 058	33 294	-	33 294
Not past due date	23 058	-	23 058	33 294	-	33 294
Traffic fines	3 784 646	(2 935 105)	849 541	2 927 760	(2 418 183)	509 577
Past due						
0-90	209 378	(162 379)	46 999	300 571	(248 257)	52 314
91-365	859 326	(666 433)	192 893	924 675	(763 735)	160 940
365+	2 715 942	(2 106 293)	609 649	1 702 514	(1 406 191)	296 323
Other non-exchange debtors	207 134	-	207 134	207 145	-	207 145
Not past due date	207 134	-	207 134	207 145	-	207 145
TOTAL	4 421 236	(3 040 330)	1 380 906	3 550 878	(2 473 423)	1 077 455

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	2018	2017
11. CASH AND CASH EQUIVALENTS (BANK AND CASH)		
Amortised cost	4 540 932	2 551 542
Bank balance *	209 735	469 968
Year-end accruals	466	6
Cash on hand and in transit	39 620	30 765
Call and short-term deposits – see note 6	4 291 111	2 050 803
Fair value – see note 6	945 686	903 949
Call and short-term deposits	934 710	894 897
Bank accounts managed by fund managers *	10 976	9 052
Bank overdraft *	5 486 618	3 455 491
	-	(5 298)
TOTAL	5 486 618	3 450 193

*See annexure C for more details.

12. BORROWINGS		
Marketable bonds	5 268 213	4 275 489
Concessionary loans	1 433 991	1 564 795
Other loans	167 137	283 517
Subtotal – see annexure A for more details	6 869 341	6 123 801
Transferred to current liabilities	(376 803)	(334 185)
TOTAL	6 492 538	5 789 616

A total of R2.26 billion (2017: R2.05 billion) has been ring-fenced for the repayment of the long-term liabilities – see note 6 for more details.

MARKETABLE BONDS	5 268 213	4 275 489
Marketable bonds	5 268 213	4 275 489
In terms of the City's domestic medium-term note (DMTN) programme registered on the Johannesburg Stock Exchange (JSE) Limited, unsecured bonds totalling R5.20 billion are listed on the JSE. Each of the municipal bonds bears interest at fixed rates ranging between 10.17% and 12.57% per annum. Interest is payable semi-annually for all bonds, while capital will be redeemed by way of a bullet repayment on the final redemption date for CCT01, CCT02 and CCT03 and semi-annual capital redemptions will be done for CCT04. The municipal bonds are repayable on 23 June 2023 (CCT01), 12 June 2024 (CCT02), 15 March 2025 (CCT03) and the final repayment for CCT04 will be on 17 July 2027. Guaranteed investment instruments have been established for the repayment of CCT01, CCT02 and CCT03 by once-off lump sum payments with various financial institutions, namely Nedbank (CCT01), Rand Merchant Bank (CCT02) and Liberty Group Limited (CCT03).		
CONCESSIONARY LOANS	1 433 991	1 564 795
Agence Française de Développement (AFD)	1 426 349	1 553 579
An unsecured loan of R2.38 billion, bearing interest at an average fixed rate of 5.76% per annum. The sum is repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. This loan will be fully paid on 31 March 2028. Nominal value as at 30 June 2018 is R1.59 billion (2017: R1.75 billion).		
Nedcor Bank	41	35
An unsecured loan, bearing interest at a fixed rate of 1% per annum, payable annually, and loan capital repayable on 31 August 2019. Nominal value as at 30 June 2018 is R50 000 (2017: R50 000).		
Development Bank of Southern Africa (DBSA)	7 601	11 181
An unsecured fixed-term concessionary loan, bearing interest at a fixed rate of 5% per annum, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. This loan will be fully paid on 30 June 2020. Nominal value as at 30 June 2018 is R8 million (2017: R12 million).		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

12. BORROWINGS (continued)

	2018	2017
OTHER LOANS	167 137	283 517
DBSA Unsecured loans, bearing interest at fixed rates ranging between 9,42% and 10,59% per annum, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. These loans have various final redemption dates, ranging from 2 July 2018 to 31 December 2022.	156 602	208 582
ABSA Bank An unsecured loan, bearing interest at a fixed rate of 10,90% per annum, repayable semi-annually in equal instalments of capital, with interest payable on the reducing balance. Final redemption will take place on 2 July 2018.	10 535	20 000
FirstRand Bank A structured 15-year loan to the value of R300 million, which bore interest at a fixed rate of 12,05% per annum and was repaid on 29 June 2018. Part of the repayment comprised a bullet payment of R225,70 million for capital and interest made out of a 15-year guaranteed investment instruments policy purchased from Momentum Group and later sold to FirstRand Bank.	-	54 935
TOTAL - see annexure A for more details	6 869 341	6 123 801

For more details about short-term debt facilities available to the City, see annexure C.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

13. RETIREMENT BENEFIT INFORMATION

The City makes provision for post-retirement benefits to eligible councillors and employees who belong to different pension schemes. These funds are governed by the Pension Funds Act, Act 24 of 1956, and include both defined-benefit (DB) and defined-contribution (DC) schemes. Contributions of R1,11 billion (2017: R1,03 billion) to the DB and DC schemes are expensed as incurred during the year under review.

These schemes are subject to a triennial, biennial or annual actuarial valuation, as set out below.

13.1 Defined-benefit schemes

LA Retirement Fund (multi-employer fund)

The last statutory actuarial valuation of the fund was performed at 30 June 2016, at which stage the fund found the Pensioners and DB Deferred Members account to be in a sound financial position. The valuation indicated a R116,9 million surplus with an overall funding level of 106,1% for the defined benefit section and pensioners account respectively at the financial year-end. Since the previous valuation date, an interim valuation was performed at 30 June 2017, which indicated an overall funding level of 102,6% for the defined benefit section and pensioners account respectively at year-end.

South African Local Authorities (SALA) Pension Fund (multi-employer fund)

The fund is a DB plan and is financially sound. It was 100% funded as at 1 July 2016, and had remained stable since the previous statutory valuation date. The next statutory valuation is due by 1 July 2018.

13.2 Defined-contribution schemes

- LA Retirement Fund (multi-employer fund)
- Cape Retirement Fund for Local Authorities (multi-employer fund)
- Municipal Councillors' Pension Fund (multi-employer fund)
- National Fund for Municipal Workers (multi-employer fund)
- Municipal Workers' Retirement Fund (multi-employer fund)

13.3 Defined-benefit and defined-contribution scheme

Cape Municipal Pension Fund

The Cape Municipal Pension Fund operates as both a DB and DC scheme. Statutory actuarial valuation of the fund was performed at 30 June 2016, which certified it as being in a financially sound position. An interim actuarial valuation of the fund was performed at 30 June 2017.

	DB section	DC section	Total
In-service members	204	9 624	9 828
Pensioners	2 903	1 943	4 846
Membership as at 30 June 2017	3 107	11 567	14 674

	2017 R'million	2016 R'million
Past-service position – DB section	10 418	9 996
Past-service position – DC section	4 255	4 475
Total liabilities	14 673	14 471
Assets valued at market value	14 728	14 484
Actuarial surplus	-	-

	%	%
Key financial assumptions		
Actual employer contribution – DB section	20,25	20,25
Actual employer contribution – DC section	18,00	18,00
Net discount rate: Pre-retirement	1,03	0,50
Post-retirement	3,03	1,40
Normal retirement age	65 years	60 years

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

14. PROVISIONS (NON-CURRENT)

	Long-service leave benefits	Environmental rehabilitation	Post-retirement health-care benefits	Post-retirement pension benefits	Taxi compensation	Total
As at 30 June 2018						
Balance at the beginning of the year	516 222	328 562	5 244 839	19 706	-	6 109 329
Interest costs	58 195	40 798	541 387	1 969	-	642 349
Service costs	45 322	-	92 020	417	-	137 759
Benefit/rehabilitation payments	(52 969)	(2 356)	(228 506)	(886)	-	(284 717)
Actuarial gains	43 425	-	(353 697)	(6 401)	-	(316 673)
Change in estimate	-	(56 993)	-	-	-	(56 993)
Transferred from current provisions	68 288	10 570	229 590	1 958	12 062	322 468
	678 483	320 581	5 525 633	16 763	12 062	6 553 522
Current portion of provision	(79 206)	(1 546)	(245 333)	(2 260)	-	(328 345)
TOTAL	599 277	319 035	5 280 300	14 503	12 062	6 225 177

14.1 Long-service leave benefits

An actuarial valuation has been performed of the City's liability for vested long-service leave benefits to which employees may become entitled upon completion of 10 years' service and every five years thereafter. The provision is utilised when eligible employees receive the value of the vested benefits.

Discount rate

The fund benefit liability as at 30 June 2018 has been discounted at the market yields on government bonds consistent with the estimated term of the liability. The long term yield on the zero coupon government bond as at 30 June 2018 were used to determine the discount rates and consumer price index (CPI) assumptions at each relevant time period.

Key financial assumptions	2018	2017
	%	
Discount rate	9,00	Yield curve
Consumer price inflation	6,22	Difference between nominal and real yield curve
Salary increase	7,22	Equal to CPI + 1%

14.2 Environmental rehabilitation

Provision is made in terms of the City's licensing stipulations on the waste landfill sites, for the estimated cost of rehabilitating waste sites. The provision has been determined on the basis of the 30 June 2018 independent valuation performed by a firm of consulting engineers.

Key cost parameters	2018	2017
	%	
Annual inflation rate	4,57	6,21
Discount rate at the average borrowing	10,27	11,00
Scheduled dates of total closure and rehabilitation anticipated between	2022 and 2035	2022 and 2034

14.3 Post-retirement health-care defined benefits

An actuarial valuation has been performed of the City's liability in respect of health-care benefits to its eligible retirees and retrenched employees. The provision is utilised when eligible employees receive the value of the vested benefits.

The contributions paid are actual contributions paid by the City, and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary, and actual contributions paid to members by the City.

For past service of in-service and retired employees, the City recognises and provides for the actuarially determined present value of post-retirement medical-aid employer contributions on an accrual basis, using the projected unit credit method.

The members of medical aid schemes entitled to a post-employment medical scheme subsidy as at 30 June 2018 constituted 7 287 (2017: 7 782) in-service members and 6 857 (2017: 6 813) pensioners.

It was assumed that the employer's health-care arrangements and subsidy policy would remain as outlined in the accounting policy, and that the level of benefits and contributions would remain unchanged, with the exception of inflationary adjustments. Implicit in this approach is the assumption that current levels of cross-subsidisation from in-service members to retiree members within the medical scheme are sustainable and will continue.

It is further assumed that the subsidy will continue until the last survivor's death for eligible members and their spouses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

14. PROVISIONS (NON-CURRENT) (continued)

14.3 Post-retirement health-care defined benefits (continued)

Continuation of membership

It is assumed that 100% of in-service members entitled to a post-retirement subsidy retiring from the City of Cape Town will remain on the employer's health-care arrangements.

Family profile

Family profile was based on actual data and, therefore, no assumptions had to be made.

Plan assets

Currently, no long-term assets are set aside off-balance sheet in respect of the employer's post-employment health-care liability.

Discount rate

The fund benefit liability to the City of Cape Town as at 30 June 2018 has been discounted at a rate determined on the basis of the long term yield on the zero coupon government bonds curve.

Key financial assumptions	2018	2017
	%	
Discount rate	10,14	Yield curve
Consumer price inflation	7,16	Difference between nominal and yield curves
Health-care cost inflation rate	8,16	CPI + 1%
Net effective discount rate	-	Yield curve-based

Sensitivity analysis	Change in assumption	Liability	Service costs	Interest costs
Assumptions used		5 525 633	92 020	541 387
Health-care inflation	1% decrease	4 872 772	76 743	767 198
	1% increase	6 314 148	111 062	618 644
Post-retirement mortality	20% decrease	6 014 538	99 462	589 289
	20% increase	5 138 455	86 090	503 452

14.4 Post-retirement pension defined benefits

An actuarial valuation has been performed of the City's liability in respect of retirement pension benefits to its eligible retirees and retrenched employees. The provision is utilised when eligible employees receive the value of the vested benefits.

The contributions paid are actual contributions paid by the City, and the unrecognised actuarial gains and losses have been adjusted accordingly to take into account the difference between the estimated contribution payments determined by the actuary, and actual contributions paid to members by the City.

For past service of employees and retired employees, the City recognises and provides for the actuarially determined present value of post-retirement revenue pensions on an accrual basis, using the projected unit credit method.

The number of employees who were eligible for a post-retirement pension as at 30 June 2018 was 19 (2017: 21) in-service employees and 69 (2017: 81) pensioners.

Plan assets

Currently, no long-term assets are set aside off-balance sheet in respect of the employer's post-employment retirement pension liability.

Discount rate

The fund benefit liability to the City as at 30 June 2018 has been discounted at a rate determined on the basis of the long term yield on the zero coupon government bonds curve.

Key financial assumptions	2018	2017
	%	
Discount rate	9,97	Yield curve
Consumer price inflation	7,04	Difference between nominal and real yield curve
General salary inflation rate	9,04	CPI + 2%
Net effective discount rate	-	Curve-dependent

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	2018	2017
15. DEPOSITS		
Electricity and water	365 890	336 264
Other deposits	15 770	15 446
TOTAL	381 660	351 710

Guarantees held in lieu of electricity and water deposits were R156,09 million (2017: R114,26 million).

16. PROVISIONS (CURRENT)

	Opening balance 2018	Raised	Utilised/ reversed	Transfers from non-current	Closing balance 2018
Long-service leave benefits	68 288	-	(68 288)	79 206	79 206
Environmental rehabilitation	10 570	-	(10 570)	1 546	1 546
Post-retirement benefits	231 548	-	(231 548)	247 593	247 593
Insurance and COLD claims	8 224	7 859	(8 224)	-	7 859
Leave benefits	593 755	639 096	(593 755)	-	639 096
Other provisions	51 907	24 930	(36 982)	-	39 855
TOTAL	964 292	671 885	(949 367)	328 345	1 015 155

Leave benefits

Annual leave accrues to employees on a monthly basis, subject to certain conditions. The provision is an estimate of the amount due to staff as at the financial year-end, based on the value of statutory and non-statutory leave.

	2018	2017
17. PAYABLES FROM EXCHANGE TRANSACTIONS		
Trade and other creditors	4 775 126	4 582 763
Payments received in advance	1 110 065	1 364 355
Funds administrated on behalf of 3 rd parties	16 470	15 961
TOTAL	5 901 661	5 963 079

Payables are non-interest-bearing and are normally settled on 30-day terms, except for retentions, which are settled in terms of the contract agreement.

Payments received in advance are non-interest-bearing and normally settled on 30-day terms.

The increase in the 2017 comparative 'Funds administrated on behalf of 3rd parties' amount was reclassified from 'Trade and other creditors'.

18. UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional grants from other spheres of government

National Government	963 071	974 631
Province	577 867	446 587
	385 204	528 044
Other conditional receipts	104 674	79 743
Public contributions	104 674	79 743
TOTAL	1 067 745	1 054 374

See note 25, 26 and annexure E for more details of grants from National Government and Province as well as public contributions.

During the year, the National Department of Human Settlements (NDHS) advised the City of its concern that the City will not spend the entire Urban Settlements Development Grant (USDG) allocation as per the annual DoRA. Consequently, the NDHS withheld R175,8 million from the second tranche payment of the USDG to the City.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	2018	2017
19. VALUE-ADDED TAX (VAT)		
VAT payable	390 215	176 983
Impairment adjustment	145 326	277 030
Total VAT payable	535 541	454 013
VAT receivable	(402 559)	(360 647)
TOTAL	132 982	93 366
The VAT liability was impaired as a result of impairment against debtors.		
20. HOUSING DEVELOPMENT FUND		
Realised housing proceeds		
Balance at beginning of the year	277 498	272 628
Income	44 099	63 301
Interest	18 705	17 699
Expenditure	(13 073)	(70 286)
Non-cash transfer to provision for impairment	(7 211)	(5 844)
Balance at end of the year	320 018	277 498
Unrealised housing proceeds		
Balance at beginning of the year	54 070	67 468
Long-term loans realised	(15 855)	(20 516)
Transfer to impairment provision – selling schemes	1 544	7 553
Transfer from impairment provision – public organisations	(488)	(435)
Balance at end of the year	39 271	54 070
TOTAL	359 289	331 568
Unrealised housing proceeds represent loan repayments not yet due in terms of the debtors' loan agreement.		
21. SERVICE CHARGES		
Electricity	11 803 987	11 755 862
Water and wastewater	5 250 643	5 053 641
Solid waste	1 179 302	1 081 307
ICASA ECSN licence fees	23 656	28 768
Other	742 159	699 527
TOTAL	18 999 747	18 619 105
The 2017 'Other' item has been corrected due to a calculation error.		
22. FINANCE INCOME		
Exchange transactions	1 081 236	965 283
External investments	935 079	822 097
Outstanding debtors	198 207	197 058
Transfer interest to conditional grants	(52 050)	(53 872)
Non-exchange transactions	76 885	81 005
Outstanding debtors	76 885	81 005
TOTAL	1 158 121	1 046 288

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	2018	2017
23. OTHER INCOME		
Exchange revenue	434 876	242 040
Bulk infrastructure levies	188 127	146 522
Other income	124 676	86 823
Discounts received	119 566	3 745
Gains on foreign-exchange transactions	55	709
Fair-value adjustments	2 452	4 241
Non-exchange revenue		
City improvement Districts (CIDs)	198 921	169 260
TOTAL	633 797	411 300
The City received services in kind to an estimated value of R12,24 million (2017: R8,83 million) in the form of volunteers.		
24. PROPERTY RATES		
Actual		
Residential, commercial and other	9 828 320	9 264 744
Income forgone*	(1 357 933)	(1 159 618)
TOTAL	8 470 387	8 105 126
Valuations per category		
Residential	780 211 424	763 170 944
Commercial	242 767 984	235 675 407
Agriculture	6 184 089	6 509 956
Public service infrastructure	5 170 313	4 997 347
Other	139 188 262	145 406 044
TOTAL valuations at commencement of financial year	1 173 522 072	1 155 759 698
The applicable General Valuation (GV2015) came into effect on 1 July 2016 until 30 June 2019 and is based on market-related values. Property valuations adjustments, such as supplementary valuations, objection valuations and Valuation Appeal Board decisions are processed continuously. Municipal rates are levied on a daily basis in terms of the provisions of the Rates Policy, which makes provision for rebates and exemptions.		
25. GOVERNMENT GRANTS AND SUBSIDIES		
Unconditional grants	2 658 727	2 288 187
Conditional grants	3 086 063	3 360 565
National Government	2 201 927	2 322 216
Province	884 136	1 038 349
TOTAL	5 744 790	5 648 752
Analysis of government grants and subsidies		
Operating	4 011 324	3 633 883
Capital	1 733 466	2 014 869
TOTAL	5 744 790	5 648 752
26. PUBLIC CONTRIBUTIONS		
Conditional		
Consumer connections	66 894	54 162
Contributed assets	5 131	6 944
Other	27 325	50 541
TOTAL	99 350	111 647

*Income forgone can be defined as any income that the City is entitled by law to levy, but which has subsequently been forgone by way of remission.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

	2018	2017
27. EMPLOYEE-RELATED COSTS		
Salaries, wages and allowances	10 469 207	9 473 563
Contributions and benefits paid: current provisions	4 396	(87 711)
Contribution: post-retirement and long-service benefits	422 637	299 924
Current service cost	137 759	140 742
Interest cost	601 551	593 813
Actuarial gains	(316 673)	(434 631)
	10 896 240	9 685 776
Expenditure recharged to capital projects	(29 291)	(26 476)
TOTAL	10 866 949	9 659 300
28. IMPAIRMENT COSTS		
Receivables and other	2 503 516	2 323 482
Impairment of investment	67 917	-
Property, plant and equipment	11 566	99 675
TOTAL	2 582 999	2 423 157
29. FINANCE COSTS		
Borrowings	741 130	691 005
Unwinding of discount	40 798	40 818
TOTAL	781 928	731 823
30. BULK PURCHASES		
Electricity	7 870 527	8 069 460
Water	256 851	368 642
TOTAL	8 127 378	8 438 102
31. GENERAL EXPENSES		
Auditor remuneration	16 708	13 183
CIDs levies	192 953	164 182
Consultants	224 174	199 871
Free basic electricity (FBE) – Eskom service areas	119 996	133 515
Fair-value adjustments	6 857	2 220
Indigent relief	684 433	662 165
Inventory: scrapping	327	911
Loss on foreign-exchange transactions	137	1 028
Materials general and consumables	471 996	460 655
Security services and charges	530 826	476 050
Housing PHP payments	244 016	210 753
Fuel	251 783	226 525
Telecommunications	426 169	398 153
Other expenditure	1 752 085	1 865 546
	4 922 460	4 814 957
Contributions from provisions	(42 644)	(45 703)
	4 879 816	4 769 254
Expenditure recharged to capital projects	(3 597)	(4 693)
TOTAL	4 876 219	4 764 561

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

		2018	2017
32. ANALYSIS OF DISCONTINUED OPERATION			
The Cape Town Stadium is a multi-purpose stadium situated at Fritz Sonnenberg Road, Green Point, Cape Town, 8051. The City of Cape Town and Cape Town Stadium (RF) SOC Limited entered into an Interim Service Delivery Agreement to transfer the operations and management of the stadium to Cape Town Stadium (RF) SOC Limited. Cape Town Stadium (RF) SOC Limited is a 100% owned subsidiary of the City of Cape Town. The agreement became effective on 1 February 2018, subject to the Interim Service Delivery Agreement. No assets or liabilities of the Cape Town Stadium were transferred to the new entity. The relevant staff originally working for that department have been seconded to the municipal entity after a due consultation process.			
Revenue	Note		
Service charges	21	120	181
Rental of letting stock and facilities		5 894	11 019
Other income	23	25	9
Total revenue		6 039	11 209
Expenditure			
Employee-related costs	27	11 637	21 074
Contracted services		6 353	20 447
General expenses	31	15 528	22 139
Total expenditure		33 518	63 660
Deficit of discontinued operation		(27 479)	(52 451)
CASH FLOW STATEMENT			
CASH FLOW FROM OPERATING ACTIVITIES			
Discontinued operation			
Cash receipts from ratepayers, government and other		6 039	11 209
Cash paid to suppliers and employees		(33 518)	(63 660)
Net cash from discontinued operation		(27 479)	(52 451)

DISCONTINUED OPERATION

A municipal entity was established in 2017 to manage and operate the Cape Town Stadium to achieve optimal commercialisation. The Cape Town Stadium operation is classified as a discontinued operation for the year ended 30 June 2018, and as a result, the comparative figures have been restated to show the discontinued operation separately from continuing operations. Analysis of the result of the Cape Town Stadium operation is stated above.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

33. CASH GENERATED FROM CONTINUED OPERATIONS

	2018	2017
Surplus for the year	5 392 919	5 361 601
Adjustment for:	3 380 444	2 673 512
Depreciation	2 566 995	2 209 274
Contributed assets	(5 716)	(16 516)
Impairment	11 566	99 675
Unrealised foreign exchange (gain)/ loss	(11)	219
Gains and losses on disposal of assets	(74 867)	(179 408)
Contribution to provisions	125 915	(97 337)
Contribution to impairment provision	1 132 755	972 070
Finance income	(1 158 121)	(1 046 288)
Cash transactions	(1 150 624)	(999 822)
Non-cash transactions	(7 497)	(46 466)
Finance costs	781 928	731 823
Cash transactions	689 670	666 163
Non-cash transactions	92 258	65 660
Operating surplus before working capital changes	8 773 363	8 035 113
Increase in inventories	(147 191)	(67 263)
Increase in receivables	(831 266)	(1 029 823)
Increase in other receivables	(870 358)	(733 159)
Increase/(decrease) in unspent conditional grants and receipts	13 371	(145 581)
(Decrease)/increase in payables	(61 407)	242 116
Increase in net VAT	39 616	18 595
CASH GENERATED FROM CONTINUED OPERATIONS	6 916 128	6 319 998

The 2017 comparative line items were restated as follows:

	Previously reported	Adjustments	2017 restated
Surplus for the year	5 304 628	52 451	5 357 079
Adjustment for	3 340 199	(662 165)	2 678 034
Operating surplus before working capital changes	8 644 827	(609 714)	8 035 113
Increase in trade receivables	(1 691 988)	662 165	(1 029 823)
Cash generated by operations	6 267 547	(52 451)	6 319 998

34. CASH AND CASH EQUIVALENTS

	2018	2017
Balance at the end of the year	5 486 618	3 450 193
Balance at the beginning of the year	3 450 193	3 332 469
NET INCREASE	2 036 425	117 724

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

35. OPERATING LEASE COMMITMENTS

35.1 The City as lessee

Future minimum lease payments under non-cancellable operating leases

Land and buildings

Payable within one year

Payable within two to five years

Radio masts

Payable within one year

Payable within two to five years

Payable after five years

TOTAL

Minimum lease payments recognised as an expense during the period amount to R62,73 million (2017: R55,39 million). Leased premises are contracted for remaining periods of between one and four years, with renewal options available in certain instances.

	2018	2017
	22 435	55 650
	10 489	55 119
	11 946	531
	890	88
	378	88
	406	-
	106	-
TOTAL	23 325	55 738

35.2 The City as lessor

Future minimum lease income under non-cancellable operating leases

Buildings

Receivable within one year

Receivable within two to five years

Receivable after five years

TOTAL

The City lets properties under operating leases. Property rental income earned during the year was R54,03 million (2017: R31,48 million). The tenants maintain the properties at their cost. No investment properties have been disposed of since the date of the statement of financial performance.

The impact of charging the escalations in operating leases on a straight-line basis over the term of the lease has been an increase of R123,40 million in current-year income.

	60 224	36 494
	183 991	132 700
	485 205	292 120
TOTAL	729 420	461 314

36. CONTINGENT LIABILITIES

36.1 Contractual disputes

Various contractual claims by contractors/suppliers and staff are currently in dispute, and are subject to mediation. The potential extent of the liability cannot be determined, since it is subject to litigation, but a provisional estimate based on management assessment is R263,413 million (2017: R158,20 million).

36.2 Outstanding insurance claims

The estimated liability for insurance claims amounts to R220,73 million (2017: R180,60 million). The estimated amount was based on quotations, medical reports and letters of demand received. The merits must still be determined and could result in a lesser or greater amount.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

37. PRIOR-YEAR ADJUSTMENTS

37.1 Correction of error

A number of historical projects in the Eskom area have previously been funded from the City's capital budget. These assets have now been derecognised as the control thereof does not reside with the City.

Presented below are those items contained in the statement of financial position and statement of financial performance that have been affected by the prior-year adjustment.

	Note	As previously reported	Correction of error	Restated
2016				
Statement of financial position				
Property, plant and equipment		36 892 544	(185 616)	36 706 928
Accumulated surplus		32 851 206	(185 616)	32 665 590
2017				
Statement of financial position				
Property, plant and equipment	2	40 377 585	(181 094)	40 196 491
Accumulated surplus		58 821 083	(181 094)	58 639 989
Statement of financial performance				
Expenditure				
Depreciation and amortisation expenses		2 213 796	(4 522)	2 209 274
Total expenditure		32 857 718	(4 522)	32 853 196
Surplus for the year		5 304 628	4 522	5 309 150

37.2 Changes in accounting estimates

The annual review of the useful lives and residual values of assets resulted in a decrease of R2,27 million (2017: R111,86 million) in the depreciation charge to the statement of financial performance. It is impracticable to estimate the effect of these changes in estimate on future periods.

38. BUDGET INFORMATION

38.1 Explanation of the Statement of comparison of budget and actual amounts variances

- The difference between the approved budget and final budget are due to virements in terms of Council-approved policy.
- The format and classification schemes adopted for presentation of the approved budget for the financial year differ from the format and classification adopted for the financial statements. The classification differences are mainly due to the budget reporting on Municipal Standard Chart of Accounts (mSCOA) classification.
- The capital spend recognition differences are set-out in the table below:

Annual financial statements	5 594 621
Landfill site provision estimate	14 714
Donated assets	(5 716)
Budget	5 603 619

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

38. BUDGET INFORMATION (continued)

38.2 Explanation of variances greater than 10%: final budget and actual amounts

38.2.1 Statement of financial position

Total liabilities

i) Current liabilities

The variance on total current liabilities is due to underspending of capital and operating expenditure against budget that lead to a lower than expected payables from exchange transactions balance at year end.

38.2.2 Statement of financial performance

Revenue

i) The variance is a combined result of various factors, being the turnaround time in the filling of grant funded vacancies, delays in planned start-up, community dynamics and influences, changes in contract scope, contract award objection processes, environmental issues, delays in delivery of goods and poor contractor performance.

ii) Other own revenue

The variance is the result of over recovery on a number of revenue sources.

Expenditure

iii) Finance charges

The variance is the result of there be no need to take up loans to fund the capital programme due to under spending.

Surplus

iv) Transfers recognised - capital

The variance is the result of underperformance related to capital projects for reasons set out under paragraph 38.3.1.

v) Contributions recognised - capital and contributed assets

The variance is the result of a shortfall of applications received over original projections.

38.2.3 Cash flow statement

i) Net cash from operating

The variance is a result of an under spent on operating expenditure.

ii) Net cash from investing

The variance is a result of an under spent on capital expenditure.

iii) Net cash from financing

The variance is a result of not taking up anticipated loans not needed to fund the capital budget.

38.3 Explanation of variances greater than 5%: final budget and actual amounts

38.3.1 Capital expenditure

i) City Manager

The variance is the result of an unspent insurance provision which is created to fund insurance claims of a capital nature.

ii) Directorate of the Mayor

The variance is the result of scarcity of adequately skilled and experienced business intelligence analysts.

iii) Energy

The variance in the implementation of the projects is a result of inclement weather, bus strikes, tender delays and construction delays, community dynamics and late delays in the delivery of goods.

iv) Informal Settlements, Water and Waste Services

The variance in the implementation of the projects is mainly as result significant under expenditure against projects linked to the New Water Plan due to the re-prioritisation in pursuit of the optimisation of value in providing water security which is being continuously reassessed. Further factors contributing to the variance are delays in procurement processes, public objections, community resistance and vandalism, gang intimidation and threats, incomplete land use management requirements, initial establishment of temporary depot accommodation taking longer than anticipated, contractors underperforming and under performance by contractors.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

38. BUDGET INFORMATION (continued)

38.3 Explanation of variances greater than 5%: final budget and actual amounts (continued)

38.3.1 Capital expenditure (continued)

- v) Social Services
The variance in the implementation of the projects is a result of challenges experienced with the upgrading of cemeteries and public open spaces, termination of tenders due to poor contractor performance, delays in public engagement and participation due to community dynamics, land invasions resulting in a project not going ahead as planned and delays due to IT capacity constraints. There were also savings on smaller projects.
- vi) Transport and Urban Development Authority
The variance in the implementation of the projects is a result of delays due to community dynamics, delays in public engagement and participation, and awaiting feedback on whether the Supply Chain Management Regulations have been adhered to before related expenditure is processed.

39. ADDITIONAL DISCLOSURES

39.1 Municipal Finance Management Act

39.1.1 Section 124(1)(b)

Disclosure concerning councillors' municipal accounts in arrears

2018

As at **30 June 2018**, the following councillor was more than 90 days in arrears for rates or services.

Z Sulelo

During the **reporting period**, the following councillors were more than 90 days in arrears for rates or services.

T Mpengezi A Skippers ST Vuba

2017

As at **30 June 2017**, no councillor was more than 90 days in arrears for rates or services.

During the **reporting period**, the following councillors were more than 90 days in arrears for rates or services.

SWP Arendse N Bolitye GE Gordon NE Mgolombane P Nyakaza-Sandla
TM Batembu KR Carls MW Hlazo T Mgxekekeni SF Oerson

	2018	2017
39.1.2 Section 125		
39.1.2.1 Irregular expenditure		
Opening balance	47 037	2
Expenditure – as indicated below	-	47 037
Regularised and ratified	-	(2)
Closing balance	47 037	47 037
Incidents		
Non-compliance with SCM regulations	-	31 990
Non-compliance with MFMA, section 116(3)	-	14 907
Non-compliance with Remuneration of Public Office Bearers Act	-	140
Incidents for the year	-	47 037

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

39. ADDITIONAL DISCLOSURES

39.1 Municipal Finance Management Act

39.1.2 Section 125 (continued)

	2018	2017
39.1.2.2 Fruitless and wasteful expenditure		
Opening balance	-	86
Expenditure – current year	-	-
Regularised and ratified	-	(86)
Closing balance	-	-

39.1.2.3 Material losses

Water losses

159 543

112 898

In the current year, the material losses were 14,82% (2017: 9,29%). These are made up of 10,78% reticulation losses and 4,04% abnormal production losses (2017: 9,29% reticulation losses and 0% abnormal production losses). These losses are predominantly due unauthorised usage and metering inaccuracies. The production losses amounted to R140,3 million (2017: R204,8 million).

Electricity losses

332 155

353 550

In the current year, the energy losses were 10,72% (2017: 10,89%). These losses are the result of system operation, theft and vandalism. The production losses amounted to R511,76 million (2017: R524,05 million).

39.1.2.4 Other compulsory disclosures

	SALGA contributions	Audit fees	PAYE and UIF	Pension and medical aid
As at 30 June 2018				
Opening balance	-	11	114 716	251 289
Subscriptions/fees	12 635	18 898	1 585 714	3 072 164
Amount paid – current year	(12 635)	(18 969)	(1 456 614)	(2 804 943)
previous years	-	(11)	(114 716)	(251 289)
Balance unpaid (included in payables)	-	(71)	129 100	267 221
As at 30 June 2017				
Opening balance	-	61	103 016	228 711
Subscriptions/fees	12 300	14 850	1 405 032	2 925 874
Amount paid – current year	(12 300)	(14 839)	(1 290 316)	(2 674 585)
previous years	-	(61)	(103 016)	(228 711)
Balance unpaid (included in payables)	-	11	114 716	251 289

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

39. ADDITIONAL DISCLOSURES (compulsory)

39.2 Supply Chain Management Regulations

39.2.1 Deviations

In terms of section 36 of the municipal SCM regulations, any deviation from SCM policy needs to be approved by the Accounting Officer and noted by Council. The awards listed below, have been approved by the Accounting Officer and noted by Council.

Incidents

	2018	2017
Appointment of consultants	342 987	4 589
Information technology upgrade	35 269	69 660
Extension of contract period/sums	164 203	144 433
Upgrading of road infrastructure	66 739	71 531
Supply and delivery of plant and equipment	209 685	38 126
Other	155 543	57 406
Deviations less than R200 000	461 567	403 689
TOTAL amount approved by the Accounting Officer and noted by Council	1 435 993	789 434

All deviations considered by the Accounting Officer are processed in terms of the SCM regulations and the SCM policy. This process entails being assessed by the SCM Bid Adjudication Committee in terms of the stipulated criteria of emergency procurements, availability from only one provider, art-historical objects, circumstances where it is impractical or impossible to follow the official procedure, or correction of minor technical breaches.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

39. ADDITIONAL DISCLOSURES (continued)

39.2 SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

39.2.2 Bids awarded to family of employees in service of the state

In terms of section 45 of the municipal SCM regulation, any award above R2 000 to family of employees in the service of the state must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form.

Connected person	Position held in State	2018
H Ahlschlager	Legal representative	14 319
N Andhee	Teacher	1 071
R Badenhorst	Councillor: Stellenbosch Municipality	1 254
M Barnard	Deputy Director: Radiology	786
P Bell	Events Manager	1 421
J Bogma	Metro Paramedic	119
V Botto	Forensics	516
C Brown	National Key Point Supervisor	133
C Brynard	Councillor: City of Cape Town	3 102
G Buitendag	Principal Professional Officer	8 726
C Carr	Administrative Officer	87
P Christopher	Operations Manager	1 453
A da Grass	Specialist Clerk	166
M Daniels	Project Administrator	149
M Davids	Operational Supervisor Driver	194
S Davids	Teacher	3 780
W de Kock	Stellenbosch Municipality	1 003
A Dolf	Senior Clerk	1 197
N Dolf	Clerk	548
Y Ebrahim	District Head	1 553
C Elliot	Office of the Premier	2
MF Voersen	Head	2 346
F Fortune	Physio	228
S Gxilishe	Teacher	155
A Harding	Administration Officer	35
W Harris	Councillor: City of Cape Town	9
C Hector	Quality Assessor	2 478
T Henderson	Teacher	350
F Hendricks	Administrative Officer	1 108
R Hendricks	HR: Department of Justice	128
FJ Monk	Subcouncil Manager	861
E Jacobs	Senior Clerk	44 172
R Jacobs	Fleet coordinator	807
Y Jacobs	Accountant	307
LA Kenny	Professional Officer	327

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

39. ADDITIONAL DISCLOSURES (continued)

39.2 SUPPLY CHAIN MANAGEMENT REGULATIONS (continued)

39.2.2 Bids awarded to family of employees in service of the state (continued)

Connected person	Position held in State	2018
T Lebesana	Security	162
Z Mabodi	Advocate	38
N Makeleni	Nurse	53
M Maroof	Professional Officer	90
G Meyer	Manager: Supplier Management	3 011
D Moffett	Director	2 251
R Mohammed	Executive Director: Central Energy fund	6 660
F Mostert	Manager	1 095
MC Mshweshwe	Statutory Compliance Specialist	1 066
M Mvalo	Professional Officer	1 800
JP Cilliers	Specialist Advisor	406
NG Payne	Principle Professional Officer	52
S Pieterse	Senior Clerk	552
ER Bowers	Social Worker	572
C Rhoda	Head: Invasive Species	347
M Rhodes	Teacher	5 078
A Richards	Senior Professional Officer	76
L Ritter	Buyer	74
D Rose	Call Centre Agent	3 725
SS Merile	Small plant operator	696
MN Sammy	Administrative Officer	17
A Sangster	Support Assistant	8 524
N September	Administrator	224
Y Skunyana	Light Machine Operator	707
L Sneli	Assistant Project Manager	4
T Steyn	Senior Professional Officer	433
C Stone	Manager: Traffic Services	6
S Toyer	Stores Clerk	36
Z Valley	Professional Officer	35
V van der Heever	Teacher	6 290
C van der Vent	Senior Worker	390
N Vlotman	Department of Health	8
B Wasserfall	Senior Forensic Officer	841
S Willemse	Administrative Officer	1 538
R Williams	Prison Warden	54
V Williams	Clerk	2 718
R Wyngaard	Administrative Officer	1 044
TOTAL		145 563

See annexure G for the 2017 list.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES

40.1 Municipal entities and special areas

During the year, in the ordinary course of business, transactions between the City of Cape Town and the following entities have occurred under terms and conditions that are no more favourable than those entered into with third parties in arm's-length transactions.

	2018	2017
CTICC		
The Convention Centre was established for Cape Town to become host to international conferences, with the objective of promoting Cape Town as a tourism city.		
Percentage owned	71,4%	71,4%
Arm's-length transactions for the year		
Receivables	3 308	3 126
Deposits	1 233	1 157
Service charges	19 504	18 219
Rental of letting stock and facilities	2 524	2 461
Included in note 36 is an amount of R6,4 million which relates to a contractual dispute with the CTICC. The final amount payable, if any, will be determined after an investigation is finalised.		
CAPE TOWN STADIUM (RF) SOC LTD		
The Cape Town Stadium municipal entity was established to manage and operate the Cape Town Stadium on behalf of the City. The vision of the Cape Town Stadium is to achieve world-wide recognition as a major sport event hosting facility and become the premium venue of choice.		
Percentage owned	100%	
Arm's-length transactions for the year		
Services charges	360	
Other income	5 468	
Grants and subsidies paid	22 167	
CIDs		
These entities were established to enable projects, at the initiative at local communities, to provide services over and above the services provided by the City of Cape Town.		
Special rating areas		
Arm's-length transactions for the year		
Service charges	-	2
Levies	192 953	164 182
CMTF		
The fund was established to pool funds for road networks and maintenance in the metropolitan area.		
Administrator		
Arm's-length transactions for the year		
Funds held on behalf of CMTF	15 598	15 141
Grants and transfers – conditions met	4 414	1 811
Interest paid	986	1 096
Revenue collected	4 026	2 989

40.2 Executive management

No members of the City of Cape Town's management have significant influence over the financial or operating policies of the municipal entities and special rating areas.

No business transactions took place between the City of Cape Town and key management personnel.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES (continued)

40.2 Executive management (continued)

40.2.1 Mayoral Committee members/Councillors

	Annual salary	Car allowance	Social contribution	Sub total	Travel claims reimbursement	Total
2018						
Mayoral committee members	12 347	60	309	12 716	-	7 630
Councillors	129 765	378	4 434	134 577	7 630	139 011
TOTAL	142 112	438	4 743	147 293	7 630	152 036
2017						
Mayoral committee members	11 508	60	366	11 934	47	11 981
Councillors	116 241	225	3 749	120 215	6 177	126 392
TOTAL	127 749	285	4 115	132 149	6 224	138 373

Councillors are remunerated according to the Remuneration of Public Office Bearers Act, Act 20 of 1998 and are not disclosed individually but in aggregate, and only have collective executive powers for planning, directing and controlling the activities of the City of Cape Town. There are 231 councillors positions, whose aggregated remuneration amounted to R147,29 million for the period under review. The average remuneration per councillor is R0,638 million per annum. The Mayco members have such individual executive powers as granted by their delegation, and are therefore disclosed in the below table. A full list of the councillors is disclosed on pages 8 and 9 as part of the 'General information'.

40.2.2 Mayoral Committee members

	Analysis of remuneration benefits			
	Annual salary	Car allowance	Social contribution	Total
2018				
Executive Mayor				
Ald P de Lille	1 297	42	-	1 339
Executive Deputy Mayor				
Ald ID Neilson	974	-	115	1 089
Executive Finance				
Cllr JFH van der Merwe	920	-	108	1 028
Safety and Security Services				
Ald JP Smith	924	18	86	1 028
Informal Settlements, Water and Waste Services; Energy				
Cllr XT Limberg	1 029	-	-	1 029
Corporate Services				
Cllr R Arendse	1 029	-	-	1 029
Assets and Facilities Management				
Cllr SP Diamond	1 029	-	-	1 029
Transport and Urban Development Authority				
Cllr BN Herron	1 029	-	-	1 029
Area-Based: South				
Cllr EP Andrews	1 029	-	-	1 029
Area-Based: Central				
Cllr S Mamkeli	1 029	-	-	1 029
Area-Based: North				
Cllr SA Little	1 029	-	-	1 029
Area-Based: East				
Cllr A Ntsodo	1 029	-	-	1 029
TOTAL	12 347	60	309	12 716

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES (continued)

40.2 Executive management (continued)

40.2.2 Mayoral Committee members (continued)

	Analysis of remuneration benefits (continued)			
	Annual salary	Car allowance	Social contribution	Total
2017				
Executive Mayor				
Ald P de Lille	1 238	42	-	1 280
1 JANUARY 2017 TO 30 JUNE 2017				
Executive Deputy Mayor				
Ald ID Neilson	467	-	57	524
Executive Finance				
Cllr JFH van der Merwe	429	-	53	482
Safety and Security Services				
Ald JP Smith	430	9	43	482
Informal Settlements, Water and Waste Services; Energy				
Cllr XT Limberg	482	-	-	482
Corporate Services				
Cllr R Arendse	482	-	-	482
Assets and Facilities Management				
Cllr SP Diamond	482	-	-	482
Transport and Urban Development Authority *				
Cllr BN Herron	482	-	-	482
Area-Based: South				
Cllr EP Andrews	482	-	-	482
Area-Based: Central				
Cllr S Mamkeli	482	-	-	482
Area-Based: North				
Cllr SA Little	482	-	-	482
Area-Based: East				
Cllr A Ntsodo	482	-	-	482
	6 420	51	153	6 624

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES (continued)

40.2 Executive management (continued)

40.2.2 Mayoral Committee members (continued)

2017

1 JULY 2016 TO 31 DECEMBER 2016

Executive Deputy Mayor/Finance

	Annual salary	Car allowance	Social Contribution	Total
Ald ID Neilson	463	-	56	519

Safety and Security Services

Ald JP Smith	428	9	42	479
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Corporate Services

Cllr XT Limberg	479	-	-	479
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Economic, Environmental and Spatial Planning

Cllr JFH van der Merwe	426	-	53	479
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Social Development and Early Childhood Development

Cllr SA Little	479	-	-	479
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City Health

Cllr S Mamkeli	479	-	-	479
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Community Services and Special Projects

Ald B Walker	95	-	9	104
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Community Services

Cllr A Ntsodo	375	-	-	375
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Transport and Urban Development Authority*

Cllr BN Herron	479	-	-	479
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Tourism, Events and Marketing

Cllr G Bloor (up to 09/8/2016)	104	-	-	104
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Tourism, Events and Economic Development

Cllr EP Andrews (as from 11/8/2016)	375	-	-	375
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Utility Services

Ald EJ Sonnenberg	427	-	53	480
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Human Settlements

Cllr B van Minnen	479	-	-	479
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TOTAL

Analysis of remuneration benefits (continued)				
	Annual salary	Car allowance	Social Contribution	Total
	5 088	9	213	5 310
	11 508	60	366	11 934

Previously known:

* Transport and Urban Development

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES (continued)

40.2 Executive management (continued)

40.2.3 Executive management

	Analysis of remuneration benefits					Total
	Annual salary	Severance pay	Relocation and car allowance	Travel and subsistence	Social contribution	
2018						
City Manager						
L Mbandazayo (appointed from 01/05/2018)	712	-	-	-	58	770
L Mbandazayo (acted from 15/01/2018 to 30/04/2018)	755	-	-	-	91	846
A Ebrahim (resigned w.e.f. 12/01/2018)	1 795	-	-	-	243	2 038
Social Services						
E Sass	2 468	-	-	-	351	2 819
Assets and Facilities Management						
K le Keur	1 757	-	128	-	91	1 976
Area-Based Service Delivery						
L Scheepers	1 747	-	-	-	229	1 976
Directorate of the Mayor						
C Kesson (01/07/2017 to 25/04/2018)	2 055	-	-	39	249	2 343
Strategic Governance						
C Kesson (26/04/2018 to 31/05/2018)	225	-	-	-	29	254
Corporate Services						
C Kesson (appointed 01/06/2018 to 30/06/2018)	196	-	-	-	25	221
G Kenhardt (acted from 16/01/2018 to 31/05/2018)	636	-	-	-	72	708
G Kenhardt (acted from 17/11/2017 to 31/12/2017)	183	-	-	-	24	207
L Mbandazayo (01/07/2017 to 14/01/2018)	1 264	-	-	-	162	1 426
Finance						
K Jacoby	2 479	-	81	2	250	2 812
Safety and Security Services						
R Bosman	2 401	-	95	-	304	2 800
Informal Settlements, Water and Waste Services; Energy						
G Kaiser	2 614	-	108	10	60	2 792
Transport and Urban Development Authority						
G Fortune (acted from 21/01/2018 to 30/06/2018)	1 430	-	-	3	226	1 659
M Whitehead (suspended with pay as from 19/01/2018)	2 800	-	-	-	2	2 802
Energy						
K Nassiep	1 928	-	99	5	2	2 034
TOTAL	27 445	-	511	59	2 468	30 483

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES (continued)

40.2 Executive management (continued)

40.2.3 Executive management (continued)

	Analysis of remuneration benefits (continued)					
	Annual salary	Severance pay	Relocation and car allowance	Travel and subsistence	Social contribution	Total
2017						
City Manager						
A Ebrahim	2 763	-	-	-	382	3 145
1 JANUARY 2017 TO 30 JUNE 2017						
Human Settlement Services						
R Pretorius (acted from 01/01/2017 to 28/02/2017)	184	-	-	-	34	218
Social Services						
E Sass (from 01/01/2017)	1 294	-	-	-	164	1 458
Assets and Facilities Management						
K le Keur (from 10/01/2017)	883	-	-	-	1	884
Area-Based Service Delivery						
L Scheepers (from 01/01/2017)	794	-	40	1	90	925
Directorate of the Mayor						
C Kesson (from 01/01/2017)	1 255	-	-	10	1	1 266
Corporate Services						
L Mbandazayo (from 01/01/2017)	1 285	-	-	-	141	1 426
Finance						
K Jacoby (from 01/01/2017)	1 260	-	41	4	154	1 459
Safety and Security Services						
R Bosman (from 01/01/2017)	1 120	-	48	-	140	1 308
Informal Settlements, Water and Waste Services; Energy						
G Kaiser (from 01/01/2017)	1 251	-	54	-	20	1 325
Transport and Urban Development Authority*						
M Whitehead (from 01/01/2017)	1 413	-	-	19	1	1 433
	13 502	-	183	34	1 128	14 847

Previously known:

* Transport and Urban Development

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

40. RELATED-PARTY DISCLOSURES (continued)

40.2 Executive management (continued)

40.2.3 Executive management (continued)

	Analysis of remuneration benefits (continued)					Total
	Annual salary	Severance pay	Relocation and car allowance	Travel and subsistence	Social contribution	
2017						
1 JULY 2016 TO 31 DECEMBER 2016						
Corporate Services and Compliance						
L Mbandazayo (acted from 25/8/2016 to 31/12/2016)	587	-	-	-	65	652
DG Ras (up to 24/8/2016)	438	3 553	-	-	-	3 991
Community Services						
L Mtwazi (up to 31/12/2016)	889	-	42	-	119	1 050
Human Settlement Services						
R Pretorius (acted from 25/8/2016 to 31/12/2016)	445	-	-	-	71	516
Dr IK Bromfield (up to 24/08/2016)	377	3 400	22	-	46	3 845
Social Development and Early Childhood Development						
E Sass (acted from 01/7/2016 to 31/12/2016)	806	-	-	-	101	907
Economic, Environment and Spatial Planning						
J Hugo (up to 31/12/2016)	1 343	-	-	1	24	1 368
City Health						
Dr W Mahlangu-Mathibela (up to 31/12/2016)	943	2 641	33	-	108	3 725
Finance						
K Jacoby (from 01/7/2016 to 31/12/2016)	849	-	40	-	125	1 014
Transport, Roads and Stormwater						
M Whitehead (from 01/7/2016 to 31/12/2016)	1 014	-	-	10	1	1 025
Utility Services						
G Kaiser (from 01/7/2016 to 31/12/2016)	984	-	54	-	15	1 053
Safety and Security Services						
R Bosman (from 01/12/2016 to 31/12/2016)	150	-	8	-	20	178
G Kaiser (acted from 01/11/2016 to 30/11/2016) *						
W le Roux (acted from 01/7/2016 to 31/10/2016)	419	-	34	27	64	544
	9 244	9 594	233	38	759	19 868
TOTAL	22 746	9 594	416	72	1 887	34 715

*G Kaiser acted without any compensation.

41. EVENTS AFTER REPORTING DATE

At the time of preparing and submitting the annual financial statements, there were no subsequent events to disclose.

ANNEXURE A: Schedule of external borrowings

AS AT 30 JUNE 2018

Rand thousands

	Contractual interest rate (NACS) %	Loan ID	Redeemable date	Balance as at 30 June 2017	Received during the year	Net interest accrual during the year	Concessionary loan adjustment	Redeemed/ written off during year	Balance as at 30 June 2018
MARKETABLE BONDS									
Municipal Bond CCT01	12,570	830014004	2023	1 002 748	-	(687)	-	-	1 002 061
Municipal Bond CCT02	11,615	830016003	2024	1 207 236	-	-	-	-	1 207 236
Municipal Bond CCT03	11,160	830017007	2025	2 065 505	-	-	-	-	2 065 505
Municipal Bond CCT04	10,170	830019504	2027	-	1 000 000	43 411	-	(50 000)	993 411
Total marketable bonds ¹				4 275 489	1 000 000	42 724	-	(50 000)	5 268 213
CONCESSIONARY LOANS									
Nedcor Bank	1,000	830000920	2019	35	-	-	6	-	41
DBSA	5,000	830012028	2020	11 181	-	2	418	(4 000)	7 601
AFD	5,763	830018500	2028	390 899	-	(676)	8 654	(40 000)	358 877
AFD	5,730	830018516	2028	390 290	-	(673)	8 741	(40 000)	358 358
AFD	5,755	830018530	2028	390 954	-	(676)	8 692	(40 000)	358 970
AFD	5,800	830018523	2028	381 436	-	(663)	8 332	(38 961)	350 144
Total concessionary loans				1 564 795	-	(2 686)	34 843	(162 961)	1 433 991
OTHER LOANS									
ABSA Bank	10,900	830007011	2018	20 000	-	535	-	(10 000)	10 535
DBSA	10,590	83001050	2018	33 916	-	902	-	(16 958)	17 860
FirstRand Bank	12,046	830009531	2018	54 935	-	(24 935)	-	(30 000)	-
DBSA	9,420	830012035	2020	28 000	-	10	-	(9 333)	18 677
DBSA	9,639	830013000	2022	73 333	-	32	-	(13 334)	60 031
DBSA	10,565	830013507	2022	73 333	-	35	-	(13 334)	60 034
Total other loans				283 517	-	(23 421)	-	(92 959)	167 137
TOTAL				6 123 801	1 000 000	16 617	34 843	(305 920)	6 869 341

¹ Guaranteed guaranteed investment instruments have been established for the repayment of the bonds by once-off lump sum payments with various financial institutions, namely Nedbank (CCT01), Rand Merchant Bank (CCT02) and Liberty Group Limited (CCT03).

ANNEXURE B: Analysis of property, plant and equipment and other assets

AS AT 30 JUNE 2018

Rand thousands

	COST						ACCUMULATED DEPRECIATION						Carrying value
	Opening balance	Transfers/ adjustments	Additions ¹	Impairments	Disposals	Closing balance	Opening balance	Transfers/ adjustments	Depreciation/ Amortisation	Impairments	Disposals	Closing balance	
Land and buildings													
Vacant land	1 255 422	10 778	16 975	-	(361)	1 282 814	(260 341)	-	-	-	-	(260 341)	1 022 473
Land and buildings	2 168 403	224 805	152 510	-	-	2 545 718	(618 229)	(412)	(45 303)	(595)	-	(664 539)	1 881 179
	3 423 825	235 583	169 485	-	(361)	3 828 532	(878 570)	(412)	(45 303)	(595)	-	(924 880)	2 903 652
Infrastructure													
Assets under construction	3 441 461	(2 583 432)	1 742 688	-	-	2 600 717	-	-	-	-	-	-	2 600 717
Telecommunications	490 533	63 200	62 337	-	-	616 070	(39 008)	5	(33 640)	-	-	(72 643)	543 427
Drains	1 146 266	52 526	21 412	-	-	1 220 204	(411 914)	412	(43 534)	-	-	(455 036)	765 168
Roads	11 336 292	912 553	564 603	-	-	12 813 448	(3 375 155)	1 152	(397 492)	(3 416)	-	(3 774 911)	9 038 537
Beach improvements	48 208	84 943	14 242	-	-	147 393	(24 776)	(1 479)	(3 154)	-	-	(29 409)	117 984
Sewerage mains and purification	4 438 700	495 057	131 028	-	-	5 064 785	(1 562 496)	518	(243 093)	-	-	(1 805 071)	3 259 714
Security	955 513	46 798	157 689	-	(42)	1 159 958	(390 599)	(15)	(102 683)	(350)	42	(493 605)	666 353
Electricity peak load equipment and mains	9 194 213	283 237	651 002	-	-	10 128 452	(2 855 484)	(127)	(196 295)	(62)	-	(3 051 968)	7 076 484
Water mains and purification	4 113 040	127 100	364 075	-	-	4 604 215	(1 721 074)	(430)	(190 632)	(395)	-	(1 912 531)	2 691 684
Reservoirs - water	633 321	12 888	16 332	-	-	662 541	(384 890)	-	(21 211)	-	-	(406 101)	256 440
	35 797 547	(505 130)	3 725 408	-	(42)	39 017 783	(10 765 396)	36	(1 231 734)	(4 223)	42	(12 001 275)	27 016 508
Community assets													
Assets under construction	123 888	(45 008)	139 023	-	-	217 903	-	-	-	-	-	-	217 903
Parks and gardens	349 003	23 152	19 617	-	-	391 772	(57 246)	-	(12 580)	-	-	(69 826)	321 946
Libraries	299 968	(362)	2 000	-	-	301 606	(79 968)	3	(5 244)	-	-	(85 209)	216 397
Recreation facilities	5 632 038	10 022	37 784	-	(90)	5 679 754	(1 838 694)	9	(219 928)	(145)	75	(2 058 683)	3 621 071
Civic buildings	2 141 810	320 862	170 468	-	-	2 633 140	(701 816)	-	(36 391)	(551)	-	(738 758)	1 894 382
	8 546 707	308 666	368 892	-	(90)	9 224 175	(2 677 724)	12	(274 143)	(696)	75	(2 952 476)	6 271 699
Other assets													
Assets under construction	375 498	(292 885)	285 792	-	-	368 405	-	-	-	-	-	-	368 405
Buildings and land	1 262	-	-	-	-	1 262	(1 026)	-	(60)	-	-	(1 086)	176
Landfill sites	1 109 353	1 317	(11 380)	-	-	1 099 290	(582 653)	(465)	(50 141)	-	-	(633 259)	466 031
Furniture, fittings and equipment	1 072 309	9 937	86 972	-	(44 817)	1 124 401	(705 548)	(44)	(109 142)	-	41 672	(773 062)	351 339
Bins and containers	67 862	287	1 682	-	(336)	69 495	(54 987)	248	(4 834)	-	321	(59 252)	10 243
Emergency equipment	56 198	577	11 343	-	(4 839)	63 279	(39 754)	4	(4 977)	-	4 729	(39 998)	23 281
Motor vehicles and watercraft	1 189 085	(4)	278 927	-	(56 995)	1 411 013	(610 870)	-	(89 564)	(422)	46 917	(653 939)	757 074
Plant and equipment	949 309	133 176	118 987	-	(58 200)	1 143 272	(638 870)	704	(53 252)	-	55 325	(636 093)	507 179
Specialised vehicles	1 526 190	-	155 659	-	(6 159)	1 675 690	(623 861)	-	(95 125)	(352)	5 150	(714 188)	961 502
Computer equipment	2 220 836	43 597	210 356	-	(164 492)	2 310 297	(1 647 941)	(83)	(237 817)	(304)	162 175	(1 723 970)	586 327
Animals	434	-	1 164	-	(28)	1 570	(317)	-	(58)	-	26	(349)	1 221
	8 568 336	(103 998)	1 139 502	-	(335 866)	9 267 974	(4 905 827)	364	(644 970)	(1 078)	316 315	(5 235 196)	4 032 778
Service concession assets													
Buses and depots	1 410 668	481	268	-	-	1 411 417	(455 127)	-	(116 809)	(4 974)	-	(576 910)	834 507
Housing rental stock	3 073 754	-	63 172	-	(21 258)	3 115 668	(941 702)	-	(97 157)	-	17 813	(1 021 046)	2 094 622
TOTAL PPE	60 820 837	(64 398)	5 466 727	-	(357 617)	65 865 549	(20 624 346)	-	(2 410 116)	(11 566)	334 245	(22 711 783)	43 153 766



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE B: Analysis of property, plant and equipment and other assets

AS AT 30 JUNE 2018 (continued)

Rand thousands

	COST						ACCUMULATED DEPRECIATION						Carrying value
	Opening balance	Transfers/ adjustments	Additions ¹	Impairments	Disposals	Closing balance	Opening balance	Transfers/ adjustments	Depreciation/ Amortisation	Impairments	Disposals	Closing balance	
Heritage assets													
Paintings and museum items	8 904	(13)	-	-	-	8 891	-	-	-	-	-	-	8 891
	8 904	(13)	-	-	-	8 891	-	-	-	-	-	-	8 891
Investment property													
Vacant land	518 180	-	-	-	-	518 180	-	-	-	-	-	-	518 180
Land and buildings	124 501	-	-	-	-	124 501	(56 254)	-	(1 714)	-	-	(57 968)	66 533
	642 681	-	-	-	-	642 681	(56 254)	-	(1 714)	-	-	(57 968)	584 713
Intangible assets													
Assets under construction	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of rights	561 441	-	-	-	-	561 441	(214 393)	116	(70 180)	-	-	(284 457)	276 984
Computer software	811 639	64 409	127 894	-	-	1 003 942	(479 816)	(116)	(84 985)	-	-	(564 917)	439 025
	1 373 080	64 409	127 894	-	-	1 565 383	(694 209)	-	(155 165)	-	-	(849 374)	716 009
TOTAL OTHER	2 024 665	64 396	127 894	-	-	2 216 955	(750 463)	-	(156 879)	-	-	(907 342)	1 309 613
GRAND TOTAL PPE AND OTHER	62 845 502	(2)	5 594 621	-	(357 617)	68 082 504	(21 374 809)	-	(2 566 995)	(11 566)	334 245	(23 619 125)	44 463 379

¹ Includes the contributed assets amount of R5,72 million.

ANNEXURE C: Disclosure of bank accounts in terms of section 125(2)(a) of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

	Account numbers	2018	2017	2016
Bank accounts held with Nedbank				
Main bank	1158667043	181 975	-	-
Salary bank	1158667078	-	-	-
Cashier's bank	1158667051	-	-	-
General income bank (primary)	1158667035	-	-	-
Traffic fines bank	1158667086	-	-	-
IRT bank	1158667094	-	-	-
Amorised cost		181 975	-	-
Bank accounts held with ABSA				
Main bank	40-5658-4470	19 598	469 968	61 936
Salary bank	40-5658-4496	-	-	-
Cashier's bank	40-5658-4527	-	-	-
General income bank	40-5658-4569	-	-	-
Traffic fines bank	40-7261-8663	-	-	-
IRT bank	40-8089-5180	8 162	-	-
Amorised cost		27 760	469 968	61 936
Amorised cost - see note 11		209 735	469 968	61 936
Bank accounts managed by fund managers (Nedbank)				
City of Cape Town	1151568899	226		
City of Cape Town	1151568902	5 196		
City of Cape Town	1151568910	138		
City of Cape Town	1151568929	996		
City of Cape Town	1151568937	2 569		
City of Cape Town	1151568945	945		
City of Cape Town	1151568953	592		
City of Cape Town	1151568961	111		
City of Cape Town	1151568988	182		
City of Cape Town	5500125803	-		
		10 955		
Bank accounts managed by fund managers (ABSA)				
City of Cape Town	5500125800	-	-	502
City of Cape Town	5500125801	-	481	2 431
City of Cape Town	5500125802	13	306	237
City of Cape Town	5500125804	-	1 803	1 684
City of Cape Town	5500125805	-	4 015	857
City of Cape Town	5500125806	-	574	655
City of Cape Town	5500125807	-	598	588
City of Cape Town	5500125808	8	1 081	569
City of Cape Town	5500125809	-	194	258
City of Cape Town	5500125803	-	-	95
		21	9 052	7 876
Fair value - see note 11		10 976	9 052	7 876
City of Cape Town - see note 11	5500125803	-	(5 298)	-
Fair value		10 976	3 754	7 876

ANNEXURE C: Disclosure of bank accounts in terms of section 125(2)(a) of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

SHORT-TERM DEBT FACILITIES

The Municipality of Cape Town had the following short-term debt facilities with the City's main banker:

	2018	2017
General banking facility	800 000	-
Guarantee facility (cash covered)	100 000	-
Guarantee facility (Non-cash covered)	12 000	25 000
Letter of credit	16 000	10 500
Business travel card	2 000	2 000
Daylight limit	-	2 000 000

The short-term debt facilities are reviewed annually and can be explained as follows:

General banking facility

This facility allows the City to quickly access funds should an immediate drawdown into the City's bank account be required.

Guarantee facility (cash covered)

This is a facility whereby the bank will guarantee a payment to a beneficiary on behalf of the client to meet the obligations between the client and the beneficiary. This facility would be cash covered which means that the client provides cash cover which is held in an interest bearing investment account and is then ceded to the bank.

Guarantee facility (Non-cash covered)

This is a facility whereby the bank will guarantee a payment to a beneficiary on behalf of the client to meet the obligations between the client and the beneficiary. There is no cash required in this instance.

Letter of credit

A letter of credit is a document issued by the bank, assuring payment to a seller of goods or services, provided that certain documents have been presented to the bank. The documents should prove that the seller has performed the duties specified by an underlying contract, and that the goods/services have been supplied as agreed. In return for these documents, the beneficiary receives payment from the bank that issued the letter.

Business travel card

The travel card facility is used for all the travel spend of the City (airfares, hotel & accommodation, car hire, travel agent fees, forex, etc) as the main, cost-effective and reliable card payment solution from the City's main banker. A credit facility is loaded on the account/card.

Daylight limit

A daylight limit is a facility that enables the City to transact even if there are insufficient funds during that particular day. It entails moneys lent and advanced during that day, provided it is settled by the end of that business day. This facility was applicable to the City's previous banker. The City has a similar arrangement with its current banker however this is not classified as short term debt.

ANNEXURE D: Segmental statement of financial performance

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

BUSINESS ACTIVITIES	Actual income	Actual expenditure	(Surplus)/ deficit	Inter-departmental charges	Net (surplus)/ deficit	Grants and donations	Actual net result from operations	Budgeted net result from operations
Municipal Governance and Administration	(17 348 174)	4 169 058	(13 179 116)	(5 646 146)	(7 532 970)	(8 435)	(7 524 535)	(6 403 786)
Executive and Council	(1 192)	43 939	42 747	(353 722)	396 469	(91)	396 560	424 949
Finance and Administration	(17 346 927)	4 124 624	(13 222 303)	(5 250 575)	(7 971 728)	(8 344)	(7 963 384)	(6 874 923)
Internal Audit	(55)	495	440	(41 849)	42 289	-	42 289	46 188
Community and Public Safety	(1 903 438)	7 104 949	5 201 511	1 923 204	3 278 307	(476 099)	3 754 406	3 762 029
Community and Social Services	(121 671)	1 514 079	1 392 408	586 397	806 011	(50 453)	856 464	908 930
Sport and Recreation	(86 228)	1 684 324	1 598 096	567 909	1 030 187	(40 679)	1 070 866	1 074 433
Public Safety	(47 447)	738 792	691 345	183 556	507 789	(14 199)	521 988	568 552
Housing	(1 267 068)	1 925 837	658 769	412 062	246 707	(342 391)	589 098	478 831
Health	(381 024)	1 241 917	860 893	173 280	687 613	(28 377)	715 990	731 283
Economic and Environmental Services	(3 250 417)	7 034 347	3 783 930	1 117 296	2 666 634	(720 676)	3 387 310	4 035 620
Planning and Development	(351 698)	1 179 835	828 137	264 064	564 073	(3 351)	567 424	618 322
Road Transport	(2 890 254)	5 682 507	2 792 253	807 069	1 985 184	(717 339)	2 702 523	3 292 990
Environmental Protection	(8 465)	172 005	163 540	46 163	117 377	14	117 363	124 308
Trading Services	(26 149 012)	24 977 247	(1 171 765)	2 605 646	(3 777 411)	(627 607)	(3 149 804)	(1 614 732)
Energy Sources	(13 097 002)	12 260 245	(836 757)	2 053 451	(2 890 208)	(140 521)	(2 749 687)	(2 401 225)
Water Management	(6 261 542)	5 856 883	(404 659)	256 445	(661 104)	(222 075)	(439 029)	391 925
Waste water management	(3 271 061)	3 436 422	165 361	769 018	(603 657)	(265 011)	(338 646)	80 559
Waste management	(3 519 407)	3 423 697	(95 710)	(473 268)	377 558	-	377 558	314 009
TOTAL	(48 651 041)	43 285 601	(5 365 440)	-	(5 365 440)	(1 832 817)	(3 532 623)	(220 869)



ANNEXURE E: Disclosure of grants and subsidies in terms of section 123 of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

National and Provincial grant funds 2017/18

Description	Source	Conditions met - transferred to revenue							Balance unspent at the end of the year ¹
		Balance unspent at beginning of the year ¹	Current-year receipts	Adjustments	Operating	Capital	Interest earned	Amounts to be claimed	
National Government									
2014 African Nations Championship	Sport and Recreation	(2)	-	-	-	-	-	-	(2)
Accreditation: Development Support	State Housing	(742)	-	-	-	-	-	-	(742)
Department of Environmental Affairs and Tourism	Environmental Affairs	(87)	(220)	-	-	-	-	-	(307)
DME - INEP	Energy	-	(5 000)	27	-	2 739	-	-	(2 234)
Emergency Disaster Relief Grant	Department of Corporate Governance	-	(20 813)	-	-	20 813	-	-	-
Energy Efficiency Electricity Demand Side Management	Energy	-	(10 000)	1 037	186	7 435	-	-	(1 342)
Expanded Public Works Incentive Grant	National Treasury	-	(14 183)	-	13 783	400	-	-	-
Finance Management Grant	National Treasury	-	(1 050)	-	1 050	-	-	-	-
Health and Hygiene education: Informal Settlements	Water	(11)	-	-	-	-	-	-	(11)
Infrastructure Skills Development	National Treasury	(903)	(10 393)	149	9 614	986	-	-	(547)
Integrated City Development Grant	National Treasury	-	(61 263)	6 529	(4 933)	50 045	-	-	(9 622)
LGSETA: Post Graduate Internship Programme	Environmental Affairs	(66)	-	-	-	-	-	-	(66)
Municipal Disaster Grant	Department of Corporate Governance	-	(122 502)	10 986	-	74 383	-	-	(37 133)
Neighbourhood Development Programme	National Treasury	-	(2 109)	38	-	2 071	-	-	-
Peninsula Wetlands Rehabilitation Project	Environmental Affairs	(29)	(1 781)	-	1 810	-	-	-	-
Public Transport Network Grant	Transport	(17 303)	(999 524)	70 654	396 719	512 190	-	-	(37 264)
Restructuring Grant - Seed Funding	National Treasury	(3 377)	-	17	-	128	-	-	(3 232)
Special Projects	Environmental Affairs	-	(3 003)	-	3 003	-	-	-	-
Terrestrial Invasive Alien Plants	Environmental Affairs	(128)	(1 179)	52	1 255	-	-	-	-
Tirelo Boshia Programme	Public Service and Administration	(63)	(10)	-	-	-	-	-	(73)
Urban Renewal	National Treasury	(678)	-	678	-	-	-	-	-
Urban Settlement Development Grant	National Treasury	(112 737)	(1 318 986)	187 327	49 009	1 029 238	-	-	(166 149)
Total DoRA allocation		(136 126)	(2 572 016)	277 494	471 496	1 700 428	-	-	(258 724)
2010 FIFA World Cup - Green Point: Interest account		(246)	-	-	-	-	-	-	(246)
LGSETA: Post Graduate Internship Programme: Interest account		(115)	-	-	-	-	(13)	-	(128)
Natural Resource Management: Interest account		(9)	-	-	-	-	(1)	-	(10)
Neighbourhood Development Programme: Interest account		(790)	-	-	-	-	(193)	-	(983)
Peninsula Wetlands Rehabilitation Project: Interest account		(46)	-	-	57	-	(29)	-	(18)



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ANNEXURE E: Disclosure of grants and subsidies in terms of section 123 of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

National and Provincial grant funds 2017/2018

Description	Source	Balance unspent at beginning of the year ¹	Current-year receipts	Adjustments	Conditions met - transferred to revenue			Amounts to be claimed	Balance unspent at the end of the year ¹
					Operating	Capital	Interest earned		
Public Transport Infrastructure Systems Grant: Interest account		(229 515)	-	-	30 666	-	(15 696)	-	(214 545)
Public Transport Infrastructure Grant: Interest account		(33 491)	-	-	-	(831)	(2 379)	-	(36 701)
Public Transport Network Grant: Interest account		(32 042)	-	-	-	-	(19 308)	-	(51 350)
Public Transport Network Operations Grant: Interest account		(13 997)	-	-	-	-	(993)	-	(14 990)
Smart Living Handbook: Interest account		(93)	-	-	-	-	(7)	-	(100)
Special Projects		(76)	-	-	74	-	(39)	-	(41)
Terrestrial Invasive Alien Plants: Interest account		(41)	-	-	37	-	(27)	-	(31)
Total interest earned		(310 461)	-	-	30 834	(831)	(38 685)	-	(319 143)
TOTAL NATIONAL GOVERNMENT TRANSFERS AND GRANTS		(446 587)	(2 572 016)	277 494	502 330	1 699 597	(38 685)	-	(577 867)
Province									
ABET Adult Education	Education	(4)	-	-	-	-	-	-	(4)
Accreditation Assistance	Human Settlements	(5 483)	(5 000)	-	6 089	-	(336)	-	(4 730)
Belhar Pentech 340 Top Structures	Human Settlements	-	-	(18 718)	18 173	-	-	-	(545)
Bokmakierie / Hazendal Infill 3	Human Settlements	(414)	-	-	-	-	-	-	(414)
Broadband	Department of the Premier	(1 621)	-	1 621	-	-	-	-	-
Browns Farm Phase 3,4,5,6	Human Settlements	(10 990)	-	-	15	-	-	-	(10 975)
Chemical Toilets in Wallacedene	Human Settlements	(34)	-	34	-	-	-	-	-
Clinics : HIV/AIDS and TB Programmes	Health	(13)	-	-	-	-	-	-	(13)
Contributed Assets: 12 ECG Machines	Health	-	-	(352)	-	352	-	-	-
Contributed Assets: 4 Kiosks	Community Safety	-	-	(232)	-	232	-	-	-
Community Residential Units	Human Settlements	(45 829)	-	42 822	-	776	-	(776)	(3 007)
Delft - The Hague Phase 2 (896)	Human Settlements	-	-	(58 529)	3 271	-	-	-	(55 258)
Delft The Hague / Roosendal Eindhoven	Human Settlements	(24 907)	-	-	16 441	-	-	-	(8 466)
Disaster Fund - Fire/Flood Kits	Human Settlements	(6 277)	-	(20 000)	20 600	-	-	-	(5 677)
Edward Road Energy Efficient Project	Human Settlements	(3 316)	-	-	-	-	(236)	-	(3 552)
EHP Nyanga, Du Noon and Atlantis	Human Settlements	(10 447)	-	-	-	-	-	-	(10 447)

ANNEXURE E: Disclosure of grants and subsidies in terms of section 123 of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

National and Provincial grant funds 2017/18

Description	Source	Conditions met - transferred to revenue							Balance unspent at the end of the year ¹
		Balance unspent at beginning of the year ¹	Current-year receipts	Adjustments	Operating	Capital	Interest earned	Amounts to be claimed	
Emergency Funds (PGWC)	Human Settlements	-	(2 500)	-	-	-	-	-	(2 500)
Enhanced Extended Discount Benefit Scheme	Human Settlements	(7 378)	-	9 108	-	-	-	(1 730)	-
Eradication of Registration Backlog	Human Settlements	(9 537)	-	-	4 183	-	-	-	(5 354)
Erf 160: Boys Town	Human Settlements	-	-	(1 478)	1 478	-	-	-	-
Establishment Grants	Human Settlements	(1 445)	-	(446)	1 102	-	(85)	-	(874)
Facilitation Grants	Human Settlements	(806)	-	(954)	529	-	(60)	-	(1 291)
False Bay Ecology	Economic Development and Tourism	(53)	-	53	-	-	-	-	-
Finance Management Support Grant	Treasury	-	(230)	-	230	-	(3)	-	(3)
Financial Management Capacity Building Grant	Treasury	(122)	(240)	-	-	-	(13)	-	(375)
Fire Detection Surveillance Cameras	Human Settlements	(5)	-	5	-	-	-	-	-
Fisantekraal Garden Cities (RDP 4672 Units)	Human Settlements	-	-	(7 431)	2 234	-	-	-	(5 197)
Garden Cities/Greenville/Fisantekraal 868	Human Settlements	(19 807)	-	(19 865)	33 164	-	-	-	(6 508)
Glenhaven Social Housing Project	Human Settlements	(9 000)	-	(21 000)	-	-	-	-	(30 000)
Global Fund Community Base Response Project	Health	(92)	-	-	-	-	-	-	(92)
Global Fund Community Based Programme	Health	(3 401)	-	-	-	-	(241)	-	(3 642)
Government Grant Community Development Workers	Human Settlements	(578)	(1 036)	-	402	90	(57)	-	(1 179)
Green Point Phase 2 Housing	Human Settlements	(797)	-	-	61	-	-	-	(736)
Gugulethu Housing Infill Project	Human Settlements	(11 226)	-	(40 412)	11 377	-	-	-	(40 261)
Happy Valley - Phase 2 Top Structures	Human Settlements	(65)	-	-	-	-	-	-	(65)
Hazendal Infill - Top Structures	Human Settlements	(81)	-	-	37	-	-	-	(44)
HCE Manuals (Housing Consumer Education)	Human Settlements	(136)	-	-	34	-	(9)	-	(111)
Heideveld Housing Infill	Human Settlements	(9 091)	-	(6 691)	15 469	-	-	-	(313)
HIV/AIDS Community Based Response Projects	Health	(14 702)	(207 677)	-	217 701	-	-	-	(4 678)
Housing Settlements Development Grant	Human Settlements	(108 494)	(405 754)	514 248	-	-	-	-	-
IHP Westgate Mall Phase C1 and C2	Human Settlements	(2 075)	-	-	110	-	-	-	(1 965)
Informal Settlements	Human Settlements	(1 367)	(1 500)	227	766	-	-	-	(1 874)
Interactive Community Access Network	Economic Development and Tourism	(5)	-	5	-	-	-	-	-

ANNEXURE E: Disclosure of grants and subsidies in terms of section 123 of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

National and Provincial grant funds 2017/18

Description	Source	Conditions met - transferred to revenue							Balance unspent at the end of the year ¹
		Balance unspent at beginning of the year ¹	Current-year receipts	Adjustments	Operating	Capital	Interest earned	Amounts to be claimed	
Jakkelsvlei Canal Upgrading	Human Settlements	(10 427)	-	-	-	-	-	-	(10 427)
Kanonkop Phase 1 Top Structures	Human Settlements	(10 340)	-	-	7 594	-	-	-	(2 746)
Khayelitsha Site C Subsidies	Human Settlements	(4 424)	-	-	-	-	(314)	-	(4 738)
Kleinvlei Phase 2	Human Settlements	(452)	-	-	56	-	-	-	(396)
Law Enforcement Officers	Community Safety	(463)	(24 234)	-	24 234	-	-	-	(463)
Law Enforcement Officers	Human Settlements	(70)	(6 500)	-	4 020	-	(105)	-	(2 655)
Library Service: Procurement Periodicals and Newspapers	Cultural Affairs and Sport	-	(4 500)	-	4 498	-	(182)	-	(184)
Library Metro Grant	Cultural Affairs and Sport	(380)	(10 000)	-	-	9 958	(612)	-	(1 034)
Metropolitan Land Transport Fund	Transport and Public Works	(7 650)	(26 000)	3 666	12 470	-	(234)	-	(17 748)
Mfuleni Ext 3	Human Settlements	(129)	-	129	-	-	-	-	-
Mfuleni Flood Relief Project	Human Settlements	(2 576)	-	2 576	-	-	-	-	-
Mitchell's Plain Infill Phase 1	Human Settlements	(4 143)	-	-	198	-	-	-	(3 945)
Mitchell's Plain TA2	Human Settlements	(276)	-	-	-	-	-	-	(276)
Morkel's Cottage Strand Housing Project	Human Settlements	-	-	(22 022)	12 100	-	-	-	(9 922)
Morningstar Infill IRDP	Human Settlements	(4 792)	-	(14 515)	19 141	-	-	-	(1 66)
New Housing Development Projects	Human Settlements	-	-	(7 943)	3 088	-	-	-	(4 855)
NHBRC Enrollment Fees	Human Settlements	-	-	(16 011)	14 296	-	-	-	(1 715)
Nutrition Supplement Programme	Health	-	(5 429)	245	5 200	-	-	(16)	-
Occupancy Survey	Human Settlements	-	-	(13 000)	577	-	-	-	(12 423)
Pelican Park 2083 Top Structures	Human Settlements	(8 949)	-	7 839	352	-	-	-	(758)
Peoples Housing Project	Human Settlements	(116 213)	-	(182 196)	209 597	-	17 273	-	(71 539)
Philippi East Top Structures	Human Settlements	(1)	-	-	-	-	-	-	(1)
Philippi East Phase 5	Human Settlements	(597)	-	-	30	-	-	-	(567)

ANNEXURE E: Disclosure of grants and subsidies in terms of section 123 of the MFMA

FOR THE YEAR ENDED 30 JUNE 2018 (continued)

Rand thousands

National and Provincial grant funds 2017/18

Description	Source	Conditions met - transferred to revenue							Balance unspent at the end of the year ¹
		Balance unspent at beginning of the year ¹	Current-year receipts	Adjustments	Operating	Capital	Interest earned	Amounts to be claimed	
Provision of Security Improvements at Rail Park and Ride Facilities	Transport and Public Works	(239)	-	244	-	-	(5)	-	-
Public Library Fund	Cultural Affairs and Sport	(3 815)	(53 299)	-	37 344	15 208	(1 348)	-	(5 910)
Rou Emoh Housing Development	Human Settlements	-	-	(8 167)	5 648	2 451	(113)	-	(181)
Salt River Transitional Housing - Madulammoho Housing Association	Human Settlements	-	-	(4 806)	-	4 802	-	-	(4)
Scottsdene 350 Top Structures	Human Settlements	(5 493)	-	5 493	-	-	-	-	-
Sir Lowry's Pass Village TRA	Human Settlements	(1 389)	-	-	-	-	-	-	(1 389)
Somerset West Housing Project	Human Settlements	(1 848)	-	(198)	-	-	-	-	(2 046)
Sweet Homes IDA TRA	Human Settlements	(18 727)	-	-	11 610	-	-	-	(7 117)
Tambo Square	Human Settlements	(286)	-	-	-	-	-	-	(286)
TB Crisis Plan	Health	(1 351)	(26 793)	-	27 604	-	-	-	(540)
Vaccines	Health	-	(90 264)	11 924	96 299	-	-	(17 959)	-
Vrygrond	Human Settlements	(33)	-	-	-	-	-	-	(33)
Wallacedene Phase 3, 4, 5, 6, 7, 8, 9, 10	Human Settlements	(13 383)	-	1 559	845	-	-	(11)	(10 990)
TOTAL PROVINCE TRANSFERS AND GRANTS		(528 044)	(870 956)	136 832	850 267	33 869	13 320	(20 492)	(385 204)
Analysis of grants and subsidies									
Total National Government transfers and grants		(446 587)	(2 572 016)	277 494	502 330	1 699 597	(38 685)	-	(577 867)
Total Province transfers and grants		(528 044)	(870 956)	136 832	850 267	33 869	13 320	(20 492)	(385 204)
		(974 631)	(3 442 972)	414 326	1 352 597	1 733 466	(25 365)	(20 492)	(963 071)

¹ The balance unspent at beginning and end of the year excludes VAT.

ANNEXURE F: Appropriation statement

FOR THE YEAR ENDED 30 JUNE 2018

Rand thousands

	2017/18										2016/17				
	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy) R'000	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget %	Actual outcome as % of original budget %	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated audited outcome
Financial performance															
Property rates	8 662 350	32 581	8 694 931	-	-	8 694 931	8 669 308	-	-	100	100	-	-	-	-
Service charges	19 310 142	(2 125 586)	17 184 556	-	-	17 184 556	17 859 065	-	-	104	92	-	-	-	-
Investment revenue	773 657	120 000	893 657	-	-	893 657	877 984	-	-	98	113	-	-	-	-
Transfers recognised - operational	6 455 942	(1 846 190)	4 609 752	-	-	4 609 752	6 450 645	-	-	140	100	-	-	-	-
Other own revenue	2 806 001	2 481 284	5 287 285	-	-	5 287 285	3 741 543	-	-	71	133	-	-	-	-
Total revenue (excluding capital transfers and contributions)	38 008 092	(1 337 911)	36 670 181	-	-	36 670 181	37 598 545	-	-	103	99	-	-	-	-
Employee costs	12 050 690	(545 404)	11 505 286	-	(11 309)	11 493 977	10 865 323	-	-	95	90	-	-	-	-
Remuneration of councillors	155 787	(222)	155 565	-	-	155 565	154 923	-	-	100	99	-	-	-	-
Debt impairment	2 508 738	(17 553)	2 491 185	-	-	2 491 185	2 503 517	-	-	100	100	-	-	-	-
Depreciation and asset impairment	2 574 607	(54 470)	2 520 137	-	-	2 520 137	2 578 561	-	-	102	100	-	-	-	-
Finance charges	1 131 010	(137 466)	993 544	-	527	994 071	781 948	-	-	79	69	-	-	-	-
Materials and bulk purchases	9 730 312	194 741	9 925 053	-	31 587	9 956 640	9 345 502	-	-	94	96	-	-	-	-
Transfers and grants	140 985	273 465	414 450	-	33 110	447 560	408 037	-	-	91	289	-	-	-	-
Other expenditure	9 065 987	(658 466)	8 407 521	-	(53 915)	8 353 606	7 406 424	-	-	89	82	-	-	-	-
Total expenditure	37 358 116	(945 375)	36 412 741	-	-	36 412 741	34 044 235	-	-	93	91	-	-	-	-
Surplus/(deficit)	649 976	(392 536)	257 440	-	-	257 440	3 554 310	-	-	-	547	-	-	-	-
Transfers recognised - capital	2 268 835	(176 705)	2 092 130	-	-	2 092 130	1 732 882	-	-	83	77	-	-	-	-
Contributions recognised - capital and contributed assets	84 900	11 685	96 585	-	-	96 585	78 248	-	-	81	92	-	-	-	-
Surplus/(deficit) after capital transfers and contributions	3 003 711	(557 556)	2 446 155	-	-	2 446 155	5 365 440	-	-	219	179	-	-	-	-
Share of surplus/(deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(deficit) for the year	3 003 711	(557 556)	2 446 155	-	-	2 446 155	5 365 440	-	-	219	179	-	-	-	-
Capital expenditure and funds sources															
Transfers recognised - capital	2 268 835	(176 705)	2 092 130	-	-	2 092 130	1 732 882	-	-	83	76	-	-	-	-
Public contributions and donations	84 900	11 685	96 585	-	-	96 585	72 532	-	-	75	85	-	-	-	-
Borrowing	2 894 482	1 105 518	4 000 000	-	-	4 000 000	2 533 155	-	-	63	88	-	-	-	-
Internally generated funds	1 727 003	(234 715)	1 492 288	-	-	1 492 288	1 265 050	-	-	85	73	-	-	-	-
Total sources of capital funds ¹	6 975 220	705 783	7 681 003	-	-	7 681 003	5 603 619	-	-	73	80	-	-	-	-
Cash flows															
Net cash from (used) operating	5 500 155	(448 734)	5 051 421	-	-	5 051 421	7 349 603	-	-	145	134	-	-	-	-
Net cash from (used) investing	(7 059 015)	(173 873)	(7 232 888)	-	-	(7 232 888)	(6 037 208)	-	-	83	86	-	-	-	-
Net cash from (used) financing	2 103 124	1 494 075	3 597 199	-	-	3 597 199	724 030	-	-	20	34	-	-	-	-
Cash/cash equivalents at the year end	544 264	871 468	1 415 732	-	-	1 415 732	2 036 425	-	-	144	374	-	-	-	-

¹ The actual capital outcome amount does not include the contributed assets amount of R5,72 million. See appendix B.

ANNEXURE G: Bids awarded to family of employees in service of the state - 2017

Rand thousands

Connected person	Position held in State	2017
N Abyocate	Department of Justice	63
L Arries; J Willemse	Teacher; Nurse	2 249
M Barnard	Deputy Director: Health Department	689
M Basson	Principal Facility Officer	244
J Bodma	Metro Paramedics	281
V Botto; K Botto	Chief: Forensics; Finance: Principal Profession Officer	1 118
RT Bowers	Social worker	210
C Brown	SABC	34
C Brynard	Councillor	3 003
G Buitendag	Principal Professional Officer	6 608
D Burgess	Senior Clerk	234
C Carr	Administrative Officer	228
P Christopher	Manager: Operations	639
JP Cilliers	Special Advisor to the Premier	327
M Daniels	Project Administrator	119
F Davids	Clerk	1
J Davids	Department of Health	11
M Davids	Operational Supervisor: Driver	381
SFA Davids	Department of Education	2 109
W De Kock	Stellenbosch municipality	254
N Dolf	Clerk	634
A Dolf	Senior Clerk	974
Y Ebrahim	Head: District 5	1 180
A Elloker	Senior Professional Officer	286
C Gordon	Clerk	42
A Harding	Administrative Officer	1
C Hector	NHRB	2 323
C Henderson	Teacher	336
F Hendricks	Administrative Officer	988
E Hlongwane	Manager: Cleansing	26
E Ishmail	Manager: Valuation Data and Systems	683
E Jacobs	Senior Clerk	13 804
R Jacob; E Samaai	Foreman; Province	1 073
Y Jacobs; O Khan; Y Jacobs	Department of Health; Department of Defence	1 038
Z Jawoodien	Prosecutor	99
M Johannes	Clerk	85
J Lategan	Clerk	75
T Lebesana	Transnet	81
E Lewis	Professional Officer	155
L Malcolm	Fire Fighter	1
R Marais	Teacher	9 510
M Mazaza	Director: Transport planning	605
S Mbolompo	Councillor	117
SS Merile	Operator: Small Plant	62
G Meyer; A Meyer; G Wyngaard	Manager: Support; Assistant Professional Officer; Assistant Buyer: SCM	984
A Mokupo	Administrative Officer	17
FJ Monk	Subcouncil Manager	948
MC Mshweshwe	Statutory Compliance Specialist	792
B Muller; D Muller	Department Education; Correctional Services	26
I Olifant	Forensic Pathology Services	87
C Olivier	Senior Operational Supervisor	8
B Paul	DCAS	692
NG Payne	Principal Professional Officer	2
Y Phosa	Member of Parliament	58

ANNEXURE G: Bids awarded to family of employees in service of the state – 2017 (continued)

Rand thousands

Connected person	Position held in State	2017
C Rhoda	Head: Invasive Species Management	728
M Rhodes	Teacher	123
A Richards	Senior Professional Officer	156
L Ritter	Administrative Officer	1
D Rose	Call Centre Agent	898
T Salomons	Specialist Engineering	149
MN Sammy	Administrative Officer	4
C September	Administrative Officer	176
W Siebritz	Firefighter	38
Y Skunyana	Light Machine Operator	2 265
Y Spencer	National Health Laboratory Services	23
T Steyn	Senior Professional Officer	1 804
L Stolorworth	Principal Professional Officer	633
N Taylor	Administrative Officer	39
F Trom	Senior Worker	201
V van der Heever	Teacher	3 469
C van der Vendt	Senior Worker	195
J van Zyl	WCED	21
J Villet	Assistant Buyer: SCM	24
N Vlotman	Department of Health Bishop	14
MF Votersen	Head: Finance Parks	2 287
B Wasserfall	Senior Forensics Officer	975
G Willemse	Station Commander	52
S Willemse; A Bell	Administrative Officer; Senior Clerk	1 842
B Williams	Prison Warden	141
R Wyngaard	Administrative Officer - Tender: SCM	815
CCT and state awards	Members as per schedule below*	5 002
TOTAL		78 669

*Names of members (City and state awards)

HC Ahlschlager	Special Investigation Unit
CJ Barry	Head: Finance (CCT)
T Botha	Oudtshoorn Municipality
M Skead, Dr	Nelson Mandela Bay Metropolitan University
WZ Erasmus	Cape Nature
HG Esterhuysen	West Coast District Municipality
T Govender	Umngeni Water
SM Grobbelaar	Northern Cape Department of Cooperative Governance
E Herholdt	Limpopo Department of Economic Development
A Heyns	Stellenbosch Municipality
JH Higgs	SARS
A Hougaard	Department of Correctional Services
J Jacobs	Eastern Cape Department of Education
B Kleynhans	Hassequa Municipality
BJ Kriegler	Cape Winelands District Municipality
M Marques	Department of Home Affairs
M Mayekiso,	Department of Local Government and Traditional Affairs
AJ Moore	Department of Water Affairs
K Nadasen	National Department of Public Works
R Reddy-Maduray	Development Bank Southern Africa
S Seegers	Head: Security Architecture(CCT)
M van Rensburg	Eskom

Glossary of Abbreviations

AFD	Agence Française de Développement
ASB	Accounting Standards Board
CCT	City of Cape Town
CID(s)	city improvement district
CMTF	Cape Metropolitan Transport Fund
COID	compensation for occupational injuries and diseases
CPI	consumer price index
CRR	capital replacement reserve
CTICC	Cape Town International Convention Centre Company SOC Limited (RF)
DB	defined benefit (scheme)
DBSA	Development Bank of Southern Africa
DC	defined-contributions (scheme)
DCAS	Department of Cultural Affairs and Sport
DMTN	domestic medium-term note
DoRA	Division of Revenue Act
FBE	free basic electricity
GRAP	Generally Recognised Accounting Practice
ICASA	Independent Communications Authority of South Africa
IDP	Integrated Development Plan
IGRAP	Interpretation of the Standards of Generally Recognised Accounting Practice
IRM	integrated risk management
IRT	integrated rapid transport
JSE	Johannesburg Stock Exchange
KCT	Khayelitsha Community Trust
Mayco	Mayoral Committee
MFMA	Local Government: Municipal Finance Management Act
mSCOA	Municipal Standard Chart of Accounts
NACS	nominal annual compounded semi-annually
NHRB	National Health Research Board
PAYE	pay-as-you-earn
PHP	People's Housing Process
PPE	property, plant and equipment
Province	Western Cape Provincial Government
SABC	South African Broadcasting Corporation
SALA	South African Local Authorities (Pension Fund)
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SARS	South African Revenue Service
SCM	supply chain management
UIF	Unemployment Insurance Fund
VAT	value-added tax
WCED	Western Cape Education Department



CITY OF CAPE TOWN
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